LANDMARK BANCORP INC
Form 10-K
March 14, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For fiscal year ended December 31, 2007

OR

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For transition period from to

Commission File Number 0-33203

LANDMARK BANCORP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	-	**43-1930755**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification Number)

701 Poyntz Avenue, Manhattan, Kansas	**66505**
(Address of principal executive offices)	(Zip Code)

(785) 565-2000

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:	**Common Stock, par value $0.01 per share** Preferred Share Purchase Rights
Securities registered pursuant to Section 12(g) of the Act:	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

Indicate by check mark whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities and Exchange Act 0f 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this 10-K or any amendment to this form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company x

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes o No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the last sales price quoted on the Nasdaq Global Market on June 30, 2007, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $48.0 million. At February 29, 2008, the total number of shares of common stock outstanding was 2,275,577.

Portions of the following documents are incorporated by reference: the Proxy Statement for the Annual Meeting of Stockholders to be held May 21, 2008, are incorporated by reference in Part III hereof, to the extent indicated herein.

LANDMARK BANCORP, INC.

2007 Form 10-K Annual Report

Table of Contents

PART I

PART I.

ITEM 1. BUSINESS

The Company

Landmark Bancorp, Inc. (the Company) is a bank holding company incorporated under the laws of the State of Delaware. Currently, the Company s business consists solely of the ownership of Landmark National Bank (the Bank), which is a wholly-owned subsidiary of the Company. As of December 31, 2007, the Company had $606.5 million in consolidated total assets.

The Company is headquartered in Manhattan, Kansas and has expanded its geographic presence through acquisitions in the past several years. Effective January 1, 2006, the Company completed the acquisition of First Manhattan Bancorporation, Inc. (FMB), the holding company for First Savings Bank F.S.B. In conjunction with the transaction, FMB was merged into the Bank (the 2006 Acquisition). In August 2005, the Company acquired 2 branches in Great Bend, Kansas. Effective April 1, 2004, the Company acquired First Kansas Financial Corporation (First Kansas), the holding company for First Kansas Federal Savings Association (First Kansas Federal). In conjunction with the transaction, First Kansas was merged into the Bank (the 2004 Acquisition). Effective October 9, 2001, Landmark Bancshares, Inc., the holding company for Landmark Federal Savings Bank, and MNB Bancshares, Inc., the holding company for Security National Bank, completed their merger into Landmark Merger Company, which immediately changed its name to Landmark Bancorp, Inc. (the 2001 Merger). In addition, Landmark Federal Savings Bank merged with Security National Bank and the resulting bank changed its name to Landmark National Bank.

As a bank holding company, the Company is subject to regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve). The Company is also subject to various reporting requirements of the Securities and Exchange Commission (the SEC).

Pursuant to the 2006 Acquisition, the 2004 Acquisition and the 2001 Merger, the Bank succeeded to all of the assets and liabilities of FMB, First Savings Bank F.S.B., First Kansas, First Kansas Federal, Landmark Federal Savings Bank and Security National Bank. The Bank is principally engaged in the business of attracting deposits from the general public and using such deposits, together with borrowings and other funds, to originate consumer, commercial, multi-family, and one-to-four family residential mortgage loans in the Bank s principal market areas, as described below. Since the 2001 Merger, the Bank has focused on originating greater numbers and amounts of consumer, commercial, and agricultural loans. Additionally, greater emphasis has been placed on diversification of the deposit mix through expansion of core deposit accounts such as checking, savings, and money market accounts. The Bank has also diversified its geographical markets as a result of the 2006 Acquisition, the 2004 Acquisition and the 2001 Merger. The Company s main office is in Manhattan, Kansas with branch offices in central, eastern and southwestern Kansas. The Company continues to explore opportunities to expand its banking markets through mergers and acquisitions, as well as branching opportunities.

The results of operations of the Bank and the Company are dependent primarily upon net interest income and, to a lesser extent, upon other income derived from loan servicing fees and customer deposit services. Additional expenses of the Bank include general and administrative expenses such as salaries, employee benefits, federal deposit insurance premiums, data processing, occupancy and related expenses.

Deposits of the Bank are insured by the Deposit Insurance Fund (the DIF) of the Federal Deposit Insurance Corporation (the FDIC) up to the maximum amount allowable under applicable federal law and regulation. The Bank is regulated by the Office of the Comptroller of the Currency (the OCC), as the chartering authority for national banks, and the FDIC, as the administrator of the DIF. The Bank is also subject to regulation by the Board of Governors of the Federal Reserve System with respect to reserves required to be maintained against deposits and certain other matters. The Bank is a member of the Federal Reserve Bank of Kansas City and the Federal Home Loan Bank (the FHLB) of Topeka.

The Company s executive office and the Bank s main office are located at 701 Poyntz Avenue, Manhattan, Kansas 66502. The telephone number is (785) 565-2000.

Market Area

The Bank s primary deposit gathering and lending markets are geographically diversified with locations in eastern, central, and southwestern Kansas. The primary industries within these respective markets are also diverse and dependent upon a wide array of industry and governmental activity for their economic base. A brief description of these three geographic areas and the communities which the Bank serves within these communities is summarized below.

Shawnee, Douglas, Miami, Osage, and Bourbon counties are located in eastern Kansas and encompass the Bank locations in Topeka, Auburn, Lawrence, Paola, Louisburg, Osawatomie, Osage City, and Fort Scott. Shawnee County s market, which encompasses the Bank locations in Topeka and Auburn, is strongly influenced by the State of Kansas, City of Topeka, two regional hospitals and several major private firms and public institutions. The Bank s Lawrence location is located in Douglas County and is significantly impacted by the University of Kansas, the largest university in Kansas, in addition to several private industries and businesses in the community. The communities of Paola, Louisburg, and Osawatomie, located within Miami County, are influenced by the high growth of the Kansas City market resulting in housing growth and small private industries and business. Additionally, the Osawatomie State Hospital is a major government employer within the county. Bourbon and Osage Counties are primarily agricultural with small private industries and business firms, while Bourbon County is also influenced by a regional hospital and Fort Scott Community College.

Bank locations within central Kansas include the communities of Manhattan within Riley County, Wamego which is located within Pottawatomie County, Junction City which is located in Geary County, Great Bend and Hoisington within Barton County, and LaCrosse located in Rush County. The Riley, Pottawatomie and Geary County economies are significantly impacted by employment at Fort Riley Military Base and Kansas State University, the second largest university in Kansas, which is located in Manhattan. Several private industries and businesses are also located within these counties. Agriculture, oil, and gas are the predominant industries in Barton County. Additionally manufacturing and service industries also play a key role within this central Kansas market. LaCrosse, located within Rush County, is primarily an agricultural community with an emphasis on crop and livestock production.

The counties of Ford and Finney were founded on agriculture, which continues to play a major role in the economy. Predominant activities involve crop production, feed lot operations, and food processing. Dodge City is known as the Cowboy Capital of the World and maintains a significant tourism industry. Both Dodge City and Garden City are recognized as regional commercial centers within the state with small business, manufacturing, retail, and service industries having a significant influence upon the local economies. Additionally, each community has a community college which also attracts a number of individuals from the surrounding area to live within the community to participate in educational programs and pursue a degree.

Competition

The Company faces strong competition both in attracting deposits and making real estate, commercial and other loans. Its most direct competition for deposits comes from commercial banks and other savings institutions located in its principal market areas, including many large financial institutions which have greater financial and marketing resources available to them. The ability of the Company to attract and retain deposits generally depends on its ability to provide a rate of return, liquidity and risk comparable to that offered by competing investment opportunities. The Company competes for loans principally through the interest rates and loan fees it charges and the efficiency and quality of services it provides borrowers. Additionally, competition may increase as a result of the continuing reduction on restrictions on the interstate operations of financial institutions. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

Employees

At December 31, 2007, the Bank had a total of 203 employees (191 full time equivalent employees). The Company has no direct employees. Employees are provided with a comprehensive benefits program, including basic and major medical insurance, life and disability insurance, sick leave, and a 401(k) profit sharing plan. Employees are not represented by any union or collective bargaining group and the Bank considers its employee relations to be good.

Lending Activities

General. The Bank strives to provide each market area it serves a full range of financial products and services to small and medium sized businesses and to consumers. The Bank targets owner-operated businesses and utilizes Small Business Administration and Farm Services Administration lending as a part of its product mix. Each market has an established loan committee which has authority to approve credits, within established guidelines. Concentrations in excess of those guidelines must be approved by either a corporate loan committee comprised of the Bank s Chief Executive Officer, the Credit Risk Manager, and other senior commercial lenders or the bank s board of directors. When lending to an entity, the Bank generally obtains a guaranty from the principals of the entity. The loan mix is subject to the discretion of the Bank s board of directors and the demands of the local marketplace.

Residential loans are priced and originated following underwriting standards that are consistent with guidelines established by the major buyers in the secondary market. Commercial and consumer loans generally are issued at or above the national prime rate. While the origination of one to four family residential loans continues to be a key component of our business, the majority of these loans are sold in the secondary market. The Bank is focusing on the generation of commercial and consumer loans to grow and diversify the loan portfolio. The Bank has no potential negative amortization loans. The following is a brief description of each major category of the Bank s lending activity.

Commercial Lending. Loans in this category include loans to service, retail, wholesale and light manufacturing businesses, including agricultural operations. Commercial loans are made based on the financial strength and repayment ability of the borrower, as well as the collateral securing the loans. The Bank targets owner-operated businesses as its customers and makes lending decisions based upon a cash flow analysis of the borrower as well as a collateral analysis. Accounts receivable loans and loans for inventory purchases are generally on a one-year renewable term and loans for equipment generally have a term of seven years or less. The Bank generally takes a blanket security interest in all assets of the borrower. Equipment loans are generally limited to 75% of the cost or appraised value of the equipment. Inventory loans are generally limited to 50% of the value of the inventory, and accounts receivable loans are generally limited to 75% of a predetermined eligible base.

The Bank also provides short-term credit for operating loans and intermediate term loans for farm product, livestock and machinery purchases and other agricultural improvements. Farm product loans have generally a one-year term and machinery and equipment and breeding livestock loans generally have five to seven year terms. Extension of credit is based upon the borrower s ability to repay, as well as the existence of federal guarantees and crop insurance coverage. These loans are generally secured by a blanket lien on livestock, equipment, feed, hay, grain and growing crops. Equipment and breeding livestock loans are generally limited to 75% of appraised value.

Real Estate Lending. Commercial, residential, construction and multi-family real estate loans represent the largest class of loans of the Bank. Generally, residential loans retained in portfolio are variable rate with adjustment periods of five years or less and amortization periods of either 15 or 30 years. Commercial real estate loans, including agricultural real estate, generally have amortization periods of 15 or 20 years. The Bank has a security interest in the borrower s real estate. The Bank also generates long term fixed rate residential real estate loans which are sold in the secondary market. Commercial real estate, construction and multi-family loans are generally limited, by policy, to 80% of the appraised value of the property. Commercial real estate, including agricultural real estate loans, are also supported by an analysis demonstrating the borrower s ability to repay. Residential loans that exceed 80% of the appraised value of the real estate generally are required, by policy, to be supported by private mortgage insurance, although on occasion the Bank will retain non-conforming residential loans to known customers at premium pricing.

Consumer and Other Lending. Loans classified as consumer and other loans include automobile, boat, student loans, home improvement and home equity loans, the latter two secured principally through second mortgages. With the exception of home improvement loans and home equity loans, the Bank generally takes a purchase money security interest in collateral for which it provides the original financing. The terms of the loans typically range from one to five years, depending upon the use of the proceeds, and generally range from 75% to 90% of the value of the collateral. The majority of these loans are installment loans with fixed interest rates. Home improvement and home equity loans are generally secured by a second mortgage on the borrowers personal residence and, when combined with the first mortgage, limited to 80% of the value of the property unless further protected by private mortgage insurance. The home improvement loans are generally made for terms of five to seven years with fixed interest rates. The home equity loans are generally made for terms of ten years on a revolving basis with the interest rates adjusting monthly tied to the national prime interest rate.

Loan Origination and Processing

Loan originations are derived from a number of sources. Residential loan originations result from real estate broker referrals, direct solicitation by the Bank s loan officers, present depositors and borrowers, referrals from builders and attorneys, walk in customers and, in some instances, other lenders. Consumer and commercial real estate loan originations emanate from many of the same sources. Residential loan applications are underwritten and closed based upon standards which generally meet secondary market guidelines. The average loan is less than $500,000.

The loan underwriting procedures followed by the Bank conform to regulatory specifications and are designed to assess both the borrower s ability to make principal and interest payments and the value of any assets or property serving as collateral for the loan. Generally, as part of the process, a loan officer meets with each applicant to obtain the appropriate employment and financial information as well as any other required loan information. The Bank then obtains reports with respect to the borrower s credit record, and orders, on real estate loans, and reviews an appraisal of any collateral for the loan (prepared for the Bank through an independent appraiser).

Loan applicants are notified promptly of the decision of the Bank. Prior to closing any long-term loan, the borrower must provide proof of fire and casualty insurance on the property serving as collateral, and such insurance must be maintained during the full term of the loan. Title insurance is required on loans collateralized by real property.

SUPERVISION AND REGULATION

General

Financial institutions, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, the growth and earnings performance of the Company may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory authorities, including the OCC, the Board of Governors of the Federal Reserve System (the Federal Reserve) and the FDIC. Furthermore, taxation laws administered by the Internal Revenue Service and state taxing authorities and securities laws administered by the Securities and Exchange Commission (the SEC) and state securities authorities have an impact on the business of the Company. The effect of these statutes, regulations and regulatory policies may be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions regulate, among other things, the scope of business, the kinds and amounts of investments, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers and consolidations and the payment of dividends. This system of supervision and regulation establishes a comprehensive framework for the respective operations of the Company and its subsidiaries and is intended primarily for the protection of the FDIC-insured deposits and depositors of the Bank, rather than shareholders.

The following is a summary of the material elements of the regulatory framework that applies to the Company and its subsidiaries. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those statutes, regulations and regulatory policies that are described. As such, the following is qualified in its entirety by reference to applicable law. Any change in applicable statutes, regulations or regulatory policies may have a material effect on the business of the Company and its subsidiaries.

The Company

General. The Company, as the sole shareholder of the Bank, is a bank holding company. As a bank holding company, the Company is registered with, and is subject to regulation by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the BHCA). In accordance with Federal Reserve policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where the Company might not otherwise do so. Under the BHCA, the Company is subject to periodic examination by the Federal Reserve. The Company is also required to file with the Federal Reserve periodic reports of the Company s operations and such additional information regarding the Company and its subsidiaries as the Federal Reserve may require.

Acquisitions, Activities and Change in Control. The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company.

The BHCA generally prohibits the Company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve to be so closely related to banking ... as to be a proper incident thereto. This authority would permit the Company to engage in a variety of banking-related

businesses, including the operation of a thrift, consumer finance, equipment leasing, the operation of a computer service bureau (including software development), and mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. As of the date of this filing, the Company has not applied for approval to operate as a financial holding company.

Federal law also prohibits any person or company from acquiring control of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. Control is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances at 10% ownership.

Capital Requirements. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve capital adequacy guidelines. If capital levels fall below the minimum required levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve s capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: (i) a risk-based requirement expressed as a percentage of total assets weighted according to risk; and (ii) a leverage requirement expressed as a percentage of total assets. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. The leverage requirement consists of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly rated companies, with a minimum requirement of 4% for all others. For purposes of these capital standards, Tier 1 capital consists primarily of permanent stockholders equity less intangible assets (other than certain loan servicing rights and purchased credit card relationships). Total capital consists primarily of Tier 1 capital plus certain other debt and equity instruments that do not qualify as Tier 1 capital and a portion of the company s allowance for loan and lease losses.

The risk-based and leverage standards described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve s capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (*i.e.*, Tier 1 capital less all intangible assets), well above the minimum levels. As of December 31, 2007 the Company had regulatory capital in excess of the Federal Reserve s minimum requirements.

Dividend Payments. The Company s ability to pay dividends to its stockholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As a Delaware corporation, the Company is subject to the limitations of the Delaware General Corporation Law (the DGCL). The DGCL allows the Company to pay dividends only out of its surplus (as defined and computed in accordance with the provisions of the DGCL) or if the Company has no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Additionally, policies of the Federal Reserve caution that a bank holding company should not pay cash dividends unless its net income available to common stockholders over the past year has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears consistent with its capital needs, asset quality, and overall financial condition. The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

8

Federal Securities Regulation. The Company s common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act). Consequently, the Company is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

The Bank

General. The Bank is a national bank, chartered by the OCC under the National Bank Act. The deposit accounts of the Bank are insured by the FDIC s DIFto the maximum extent provided under federal law and FDIC regulations. The Bank is a member of the Federal Reserve System and the Federal Home Loan Bank System. As a national bank, the Bank is subject to the examination, supervision, reporting and enforcement requirements of the OCC, the chartering authority for national banks. The FDIC, as administrator of the DIF, also has regulatory authority over the Bank.

Deposit Insurance. As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured depository institutions pay insurance premiums at rates based on their risk classification. An institution s risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. Under the regulations of the FDIC, as presently in effect, insurance assessments range from 0.05% to 0.43% of total deposits (subject to adjustment by the FDIC and the application of assessment credits, if any, issued by the FDIC in 2007). In 2007, the Bank received a $647,000 assessment credit from the FDIC. The credit will be fully utilized during 2009.

FICO Assessments. The Financing Corporation (FICO) is a mixed-ownership governmental corporation chartered by the former Federal Home Loan Bank Board pursuant to the Federal Savings and Loan Insurance Corporation Recapitalization Act of 1987 to function as a financing vehicle for the recapitalization of the former Federal Savings and Loan Insurance Corporation. FICO issued 30-year non-callable bonds of approximately $8.2 billion that mature by 2019. Since 1996, federal legislation has required that all FDIC-insured depository institutions pay assessments to cover interest payments on FICO s outstanding obligations. These FICO assessments are in addition to amounts assessed by the FDIC for deposit insurance. During the year ended December 31, 2007, the FICO assessment rate was approximately 0.01% of deposits.

Supervisory Assessments. National banks are required to pay supervisory assessments to the OCC to fund the operations of the OCC. The amount of the assessment is calculated using a formula that takes into account the bank s size and its supervisory condition.During the year ended December 31, 2007, the Bank paid supervisory assessments to the OCC totaling $151,000.

Capital Requirements. Banks are generally required to maintain capital levels in excess of other businesses. The OCC has established the following minimum capital standards for national banks, such as the Bank: (i) a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others; and (ii) a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. In general, the components of Tier 1 capital and total capital are the same as those for bank holding companies discussed below.

The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, regulations of the OCC provide that additional capital may be required to take adequate account of, among other things, interest rate risk or the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Further, federal law and regulations provide various incentives for financial institutions to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a financial institution that is well-capitalized may qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities and may qualify for expedited processing of other required notices or applications. Additionally, one of the criteria that determines a bank holding company s eligibility to operate as a financial holding company is a requirement that all of its financial institution subsidiaries be well-capitalized. Under the regulations of the OCC, in order to be well-capitalized a financial institution must maintain a ratio of total capital to total risk-weighted assets of 10% or greater, a ratio of Tier 1 capital to total risk-weighted assets of 6% or greater and a ratio of Tier 1 capital to total assets of 5% or greater.

Federal law also provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators powers depends on whether the institution in question is adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized, in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution s asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

As of December 31, 2007: (i) the Bank was not subject to a directive from the OCC to increase its capital to an amount in excess of the minimum regulatory capital requirements; (ii) the Bank exceeded its minimum regulatory capital requirements under OCC capital adequacy guidelines; and (iii) the Bank was well-capitalized, as defined by OCC regulations.

Dividends. The primary source of funds for the Company is dividends from the Bank. Under the National Bank Act, a national bank may pay dividends out of its undivided profits in such amounts and at such times as the bank s board of directors deems prudent. Without prior OCC approval, however, a national bank may not pay dividends in any calendar year that, in the aggregate, exceed the bank s year-to-date net income plus the bank s retained net income for the two preceding years.

The payment of dividends by any financial institution is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, the Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 2007. As of December 31, 2007, approximately $729,000 was available to be paid as dividends by the Bank. Notwithstanding the availability of funds for dividends, however, the OCC may prohibit the payment of any dividends by the Bank if the OCC determines such payment would constitute an unsafe or unsound practice.

Insider Transactions. The Bank is subject to certain restrictions imposed by federal law on extensions of credit to the Company, on investments in the stock or other securities of the Company and the acceptance of the stock or other securities of the Company as collateral for loans made by the Bank. Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to the directors and officers of the Company, to principal stockholders of the Company, and to related interests of such directors, officers and principal stockholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of the Company or the Bank or a principal stockholder of the Company may obtain credit from banks with which the Bank maintains correspondent relationships.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution s primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator s order is cured, the regulator may restrict the institution s rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Branching Authority. National banks headquartered in Kansas, such as the Bank, have the same branching rights in Kansas as banks chartered under Kansas law, subject to OCC approval. Kansas law grants Kansas-chartered banks the authority to establish branches anywhere in the State of Kansas, subject to receipt of all required regulatory approvals.

Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The establishment of new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is permitted only in those states the laws of which expressly authorize such expansion.

Financial Subsidiaries. Under Federal law and OCC regulations, national banks are authorized to engage, through financial subsidiaries, in any activity that is permissible for a financial holding company and any activity that the Secretary of the Treasury, in consultation with the Federal Reserve, determines is financial in nature or incidental to any such financial activity, except: (i) insurance underwriting, (ii) real estate development or real estate investment activities (unless otherwise permitted by law), (iii) insurance company portfolio investments and (iv) merchant banking. The authority of a national bank to invest in a financial subsidiary is subject to a number of conditions, including, among other things, requirements that the bank must be well-managed and well-capitalized (after deducting from capital the bank s outstanding investments in financial subsidiaries). The Bank has not applied for approval to establish any financial subsidiaries.

Federal Reserve System. Federal Reserve regulations, as presently in effect, require depository institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts), as follows: for transaction accounts aggregating $43.9 million or less, the reserve requirement is 3% of total transaction accounts; and for transaction accounts aggregating in excess of $43.9 million, the reserve requirement is $1.038 million plus 10% of the aggregate amount of total transaction accounts in excess of $43.9 million. The first $9.3 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Bank is in compliance with the foregoing requirements.

Company Website

The Company maintains a corporate website at www.landmarkbancorpinc.com. The Company makes available free of charge on or through its website the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnish it to, the SEC. Many of the Company s policies, including its code of ethics, committee charters and other investor information are available on the web site. The Company will also provide copies of its filings free of charge upon written request to our Corporate Secretary at the address listed on the front of this Form 10-K.

STATISTICAL DATA

The Company has a fiscal year ending on December 31. The information presented in this annual report on Form 10-K presents information on behalf of the Company as of and for the year ended December 31, 2007.

The statistical data required by Guide 3 of the Guides for Preparation and Filing of Reports and Registration Statements under the Exchange Act is set forth in the following pages. This data should be read in conjunction with the consolidated financial statements, related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations.

I. Distribution of Assets, Liabilities, and Stockholders Equity; Interest Rates and Interest Differentials

The average balance sheets are incorporated by reference from Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. The following table describes the extent to which changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities affected the Company s interest income and expense during the periods indicated. The table distinguishes between (i) changes attributable to rate (changes in rate multiplied by prior volume), (ii) changes attributable to volume (changes in volume multiplied by prior rate), and (iii) net change (the sum of the previous columns). The net changes attributable to the combined effect of volume and rate, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

	Years Ended December 31,					
	2007 vs 2006			2006 vs 2005		
	Increase/(Decrease) Attributable to			Increase/(Decrease) Attributable to		
	Volume	Rate	Net	Volume	Rate	Net
Interest income:	(Dollars in thousands)					
Investment securities	$ 656	$ 682	$ 1,338	$ 86	$ 1,480	$ 1,566
Loans	(665)	855	190	8,259	2,739	10,998
Total	(9)	1,537	1,528	8,345	4,219	12,564
Interest expense:						
Deposits	269	2,290	2,559	2,523	2,853	5,376
Other borrowings	(47)	117	(330)	631	675	1,306
Total	(178)	2,407	2,229	3,154	3,528	6,682
Net interest income	$ 169	$ (870)	$ (701)	$ 5,191	$ 691	$ 5,882

II. Investment Portfolio

Investment Securities. The following table sets forth the carrying value of the Company s investment securities at the dates indicated. None of the investment securities held as of December 31, 2007 was issued by an individual issuer in excess of 10% of the Company s stockholders equity, excluding the securities of U.S. government and federal agency obligations.

	As of December 31, 2007	2006 (Dollars in thousands)	2005
Investment Securities:			
U.S. agency securities	$ 48,708	$ 46,632	$ 43,628
Municipal obligations	62,113	55,064	32,380
Mortgage-backed securities	36,216	32,224	52,893
FHLB stock	7,099	6,747	5,655
Common stock	1,122	716	775
FRB stock	1,746	1,741	1,348
Corporate bonds	2,493	2,531	3,035
Other investments	5,227	229	417
Total	$ 164,724	$ 145,884	$ 140,131

The following table sets forth certain information regarding the carrying values, weighted average yields, and maturities of the Company s investment securities portfolio as of December 31, 2007. Yields on tax-exempt obligations have been computed on a tax equivalent basis, using a 34% federal tax rate. The table includes scheduled principal payments and estimated prepayments.

	As of December 31, 2007									
	One year or less		One to five years		Five to ten years		More than ten years		Total	
	Carrying value	Average yield	Carrying value	Average yield	Carrying value	Average yield	Carrying value	Average yield	Carrying value	Average yield
Investment securities:										
U.S. agency securities	$ 9,294	4.20%	$ 37,366	4.94%	$ 2,048	5.51%	$	0.00%	$ 48,708	4.83%
Municipal obligations	625	7.01%	6,899	5.06%	24,806	5.65%	29,783	6.05%	62,113	5.79%
Mortgage-backed securities	4,859	4.32%	27,589	5.14%	2,935	5.89%	833	6.22%	36,216	5.11%
Corporate bonds		%		%		%	2,493	6.93%	2,493	6.93%
Other	5,222	4.65%	5	4.52%		%		%	5,227	4.65%
Total	$ 20,000	4.43%	$ 71,859	5.03%	$ 29,789	5.67%	$ 33,109	6.12%	$ 154,757	5.31%

III. Loan Portfolio

Loan Portfolio Composition. The following table sets forth the composition of the loan portfolio by type of loan at the dates indicated.

	As of December 31,				
	2007	**2006**	**2005**	**2004**	**2003**
Balance			(Dollars in thousands)		
Real estate loans:					
One-to-four family residential	$ 126,459	$ 151,300	$ 114,935	$ 131,077	$ 82,094
Commercial	113,209	98,314	78,085	77,208	65,729
Construction	27,936	33,600	12,356	11,234	9,171
Commercial loans	103,099	90,758	63,494	51,826	50,054
Consumer loans	9,164	9,596	8,842	9,015	9,567
Total gross loans	379,867	383,568	277,712	280,360	216,615
Less:					
Deferred loan fees/(costs) and loans in process	(462)	214	(5)	52	3
Allowance for loan losses	4,172	4,030	3,151	2,894	2,316
Loans, net	$ 376,157	$ 379,324	$ 274,566	$ 277,414	$ 214,296
Percent of total					
Real estate loans:					
One-to-four family residential	33.3%	39.4%	41.4%	46.8%	37.9%
Commercial	29.8%	25.6%	28.1%	27.5%	30.3%
Construction	7.4%	8.8%	4.4%	4.0%	4.2%
Commercial loans	27.1%	23.7%	22.9%	18.5%	23.1%
Consumer loans	2.4%	2.5%	3.2%	3.2%	4.5%
Total gross loans	100.0%	100.0%	100.0%	100.0%	100.0%

The following table sets forth the contractual maturities of loans as of December 31, 2007. The table does not include unscheduled prepayments.

	Less than 1 year	**2-5 years**	**Over 5 years**	**Total**
		(Dollars in thousands)		
Real estate loans:				
One-to-four family residential	$ 18,542	$ 50,961	$ 56,956	$ 126,459
Commercial	26,193	37,841	49,175	113,209
Construction	27,904	32		27,936
Commercial	67,924	29,951	5,224	103,099
Consumer	3,936	4,972	256	9,164
Total gross loans	$ 144,499	$ 123,757	$ 111,611	$ 379,867

The following table sets forth, as of December 31, 2007, the dollar amount of all loans due after December 31, 2008 and whether such loans had fixed interest rates or adjustable interest rates:

	Fixed	Adjustable	Total
		(Dollars in thousands)	
Real estate loans:			
One-to-four family residential	$ 31,527	$ 76,390	$ 107,917
Commercial	14,110	72,906	87,016
Construction	32		32
Commercial	17,046	18,129	35,175
Consumer	4,701	527	5,228
Total gross loans	$ 67,416	$ 167,952	$ 235,368

Nonperforming Assets. The following table sets forth information with respect to nonperforming assets, including non-accrual loans and real estate acquired through foreclosure or by deed in lieu of foreclosure (real estate owned). Under the original terms of the Company s non-accrual loans as of December 31, 2007, interest earned on such loans for the year ended December 31, 2007 would have increased interest income by $520,000.

	As of December 31,				
	2007	2006	2005	2004	2003
			(Dollars in thousands)		
Total non-accrual loans	$ 10,037	$ 3,567	$ 3,332	$ 1,145	$ 1,205
Accruing loans over 90 days past due					
Real estate owned	492	456	749	479	281
Total nonperforming assets	$ 10,529	$ 4,023	$ 4,081	$ 1,624	$ 1,486

Total nonperforming loans to total loans, net	2.7%	0.9%	1.2%	0.4%	0.6%
Total nonperforming assets to total assets	1.7%	0.7%	0.9%	0.4%	0.5%
Allowance for loan losses to nonperforming loans	41.5%	113.0%	94.6%	252.8%	192.2%

The Company s non-accrual loans increased during the latter part of 2007 to $10.0 million as of December 31, 2007, as compared to $3.6 million as of December 31, 2006. This increase was primarily related to four construction loan relationships totaling $5.1 million as of December 31, 2007. One of these relationships, comprising $2.4 million, was collected in January of 2008. Given the collateral associated with these construction loans, the Company does not anticipate any significant loss exposure. Accordingly, a corresponding increase in the Company s allowance for loan losses pertaining to these non-accrual construction loans was not considered necessary. In reviewing the Company s impaired loans, of which non-accrual loans comprise the majority, $6.5 million of the impaired loans were considered adequately collateralized with no allowance allocated thereon. As part of the Company s credit risk management, the Company continues to aggressively manage the loan portfolio to identify problem loans and has placed additional emphasis on its commercial real estate and construction relationships. As discussed in more detail in the Asset Quality and Distribution section, we believe the Company s allowance for loan losses continues to be adequate based on the Company s evaluation of the loan portfolio s inherent risk as of December 31, 2007.

IV. Summary of Loan Loss Experience

The following table sets forth information with respect to the Company s allowance for loan losses at the dates indicated:

	As of December 31, 2007	2006	2005	2004	2003
	(Dollars in thousands)				
Total gross loans outstanding	$ 379,867	$ 383,568	$ 277,712	$ 280,360	$ 216,615
Average net loans outstanding	$ 380,664	$ 391,010	$ 273,507	$ 266,050	$ 217,730
Allowance balances (at beginning of year)	4,030	3,151	2,894	2,316	2,565
Provision	255	235	385	460	240
Allowance of merged bank:		891		352	
Charge-offs:					
Real estate loans:					
One-to-four family residential	(16)	(23)	(25)	(63)	(29)
Commercial		(55)			
Construction	(29)				
Commercial	(12)	(3)	(37)	(124)	(362)
Consumer	(147)	(258)	(160)	(108)	(162)
	(204)	(339)	(222)	(295)	(553)
Recoveries:					
Real estate loans:					
One-to-four family residential	4	5	5	16	
Commercial		1			
Construction					
Commercial	25	25	59	5	8
Consumer	62	61	30	40	56
	91	92	94	61	64
Net charge-offs	(113)	(247)	(128)	(234)	(489)
Allowance balances (at end of year)	$ 4,172	$ 4,030	$ 3,151	$ 2,894	$ 2,316
Allowance for loan losses as a percent of total gross loans outstanding	1.10%	1.05%	1.13%	1.03%	1.07%
Net loans charged off as a percent of average net loans outstanding	0.03%	0.06%	0.05%	0.09%	0.23%

The distribution of the Company s allowance for losses on loans at the dates indicated and the percent of loans in each category to total loans is summarized in the following table. This allocation reflects management s judgment as to risks inherent in the types of loans indicated, but the general allowance included in the table are not restricted and are available to absorb all loan losses. The amount allocated in the following table to any category should not be interpreted as an indication of expected actual charge-offs in that category.

	As of December 31, (Dollars in thousands)									
	2007		2006		2005		2004		2003	
	Amount	% Loan type to total loans	Amount	% Loan type to total loans	Amount	% Loan type to total loans	Amount	% Loan type to total loans	Amount	% Loan type to total loans
Real estate loans:										
One-to-four family residential	$ 1,189	33.3%	$ 827	39.4%	$ 722	41.4%	$ 570	46.8%	$ 320	37.9%
Commercial	640	29.8%	823	25.6%	882	28.1%	874	27.5%	763	30.3%
Construction	879	7.4%	834	8.8%	384	4.4%	280	4.0%	196	4.2%
Commercial	1,191	27.1%	1,308	23.7%	941	22.9%	942	18.5%	831	23.1%
Consumer	273	2.4%	238	2.5%	222	3.2%	228	3.2%	206	4.5%
Total	$ 4,172	100.0%	$ 4,030	100.0%	$ 3,151	100.0%	$ 2,894	100.0%	$ 2,316	100.0%

The allowance for losses on loans is discussed in more detail in the Nonperforming Assets and Asset Quality and Distribution sections, we believe the Company s allowance for loan losses continues to be adequate based on the Company s evaluation of the loan portfolio s inherent risk as of December 31, 2007.

V. Deposits

As of December 31, 2007, the aggregate amount outstanding of jumbo certificates of deposit (amounts of $100,000 or more) was $59.0 million. The following table presents the maturities of these time certificates of deposit at December 31, 2007:

	(Dollars in thousands)
3 months or less	$ 26,829
Over 3 months through 6 months	15,616
Over 6 months through 12 months	11,268
Over 12 months	5,268
Total	$ 58,981

VI. Return on Equity and Assets

	As of or for the years ended December 31,				
	2007	2006	2005	2004	2003
Return on average assets	0.90%	1.01%	0.87%	0.98%	1.46%
Return on average equity	10.78%	13.01%	9.04%	9.98%	11.53%

Equity to total assets	8.62%	8.34%	9.48%	9.54%	12.74%
Dividend payout ratio	26.27%	26.27%	37.14%	33.33%	27.63%

ITEM 1A. RISK FACTORS

In addition to the other information in this Annual Report on Form 10-K, stockholders or prospective investors should carefully consider the following risk factors:

Our business is concentrated in and dependent upon the continued growth and welfare of the markets in which we operate, including eastern, central and southwestern Kansas.

We operate primarily in eastern, central and southwestern Kansas, and as a result, our financial condition, results of operations and cash flows are subject to changes in the economic conditions in those areas. Although each market we operate in is geographically and economically diverse, our success depends upon the business activity, population, income levels, deposits and real estate activity in each of these markets. Although our customers business and financial interests may extend well beyond our market area, adverse economic conditions that affect our specific market area could reduce our growth rate, affect the ability of our customers to repay their loans to us and generally affect our financial condition and results of operations. Because of our geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets.

We may experience difficulties in managing our growth and our growth strategy involves risks that may negatively impact our net income.

As part of our general strategy, we may acquire banks and related businesses that we believe provide a strategic fit with our business. In the past, we have acquired a number of local banks and, to the extent that we continue to grow through future acquisitions, we cannot assure you that we will be able to adequately and profitably manage this growth. Acquiring other banks and businesses will involve risks commonly associated with acquisitions, including:

- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;
- exposure to potential asset quality issues of the acquired bank or related business;
- difficulty and expense of integrating the operations and personnel of banks and businesses we acquire;
- potential disruption to our business;
- potential diversion of our management s time and attention; and
- the possible loss of key employees and customers of the banks and businesses we acquire.

In addition to acquisitions, we may expand into additional communities or attempt to strengthen our position in our current markets by undertaking additional branch openings. We believe that it generally takes several years for new banking facilities to first achieve operational profitability, due to the impact of organization and overhead expenses and the start-up phase of generating loans and deposits. To the extent that we undertake additional branch openings, we are likely to continue to experience the effects of higher operating expenses relative to operating income from the new operations, which may have an adverse effect on our levels of reported net income, return on average equity and return on average assets.

We face intense competition in all phases of our business from other banks and financial institutions.

The banking and financial services business in our market is highly competitive. Our competitors include large regional banks, local community banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market mutual funds, credit unions and other non-bank financial service providers, many of which have greater financial, marketing and technological resources than us. Increased competition in our market may result in a decrease in the amounts of our loans and deposits, reduced spreads between loan rates and deposit rates or loan terms that are more favorable to the borrower. Any of these results could have a material adverse effect on our ability to grow and remain profitable. If increased competition causes us to significantly discount the interest rates we offer on loans or increase the amount we pay on deposits, our net interest income could be adversely impacted. If increased competition causes us to relax our underwriting standards, we could be exposed to higher losses from lending activities. Additionally, many of our competitors are much larger in total assets and capitalization, have greater access to capital markets and offer a broader range of financial services than we can offer.

Interest rates and other conditions impact our results of operations.

Our profitability is in part a function of the spread between the interest rates earned on investments and loans and the interest rates paid on deposits and other interest-bearing liabilities. Like most banking institutions, our net interest spread and margin will be affected by general economic conditions and other factors, including fiscal and monetary policies of the federal government, that influence market interest rates and our ability to respond to changes in such rates. At any given time, our assets and liabilities will be such that they are affected differently by a given change in interest rates. As a result, an increase or decrease in rates, the length of loan terms or the mix of adjustable and fixed rate loans in our portfolio could have a positive or negative effect on our net income, capital and liquidity. We measure interest rate risk under various rate scenarios and using specific criteria and assumptions. A summary of this process, along with the results of our net interest income simulations is presented in the section entitled Management s Discussion and Analysis of Financial Conditions and Results of Operations. Although we believe our current level of interest rate sensitivity is reasonable and effectively managed, significant fluctuations in interest rates may have an adverse effect on our business, financial condition and results of operations.

We must effectively manage our credit risk.

There are risks inherent in making any loan, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and risks resulting from changes in economic and industry conditions. We attempt to minimize our credit risk through prudent loan application approval procedures, careful monitoring of the concentration of our loans within specific industries and periodic independent reviews of outstanding loans by our credit review department. However, we cannot assure you that such approval and monitoring procedures will reduce these credit risks. Most of our loans are commercial, real estate, or consumer loans, each of which is subject to distinct types of risk. To reduce the lending risks we face, we generally take a security interest in borrowers property for all three types of loans. In addition, we sell certain residential real estate loans to third parties. Nevertheless, the risk of non-payment is inherent in all three types of loans and if we are unable to collect amounts owed, it may materially affect our operations and financial performance.

For a more complete discussion of our lending activities see Part 1 of Item 1 of this Annual Report on Form 10-K.

Our loan portfolio has a large concentration of real estate loans, which involve risks specific to real estate value.

Real estate lending (including commercial, construction, and residential) is a large portion of our loan portfolio. These categories were $267.6 million, or approximately 70.4% of our total loan portfolio as of December 31, 2007, as compared to $283.2 million, or approximately 73.8%, as of December 31, 2006. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Although a significant portion of such loans are secured by real estate as a secondary form of collateral, adverse developments affecting real estate values in one or more of our markets could increase the credit risk associated with our loan portfolio. Additionally, real estate lending typically involves higher loan principal amounts and the repayment of the loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Economic events or governmental regulations outside of the control of the borrower or lender could negatively impact the future cash flow and market values of the affected properties.

If the loans that are collateralized by real estate become troubled during a time when market conditions are declining or have declined, then we may not be able to realize the amount of security that we anticipated at the time of originating the loan, which could cause us to increase our provision for loan losses and adversely affect our operating results and financial condition. In particular, if the problems that have occurred in the residential real estate and mortgage markets spread to the commercial real estate market, particularly within our market area, the value of collateral securing our real estate loans could decline and the demand for our real estate loans could decrease. We generally have not experienced a downturn in credit performance by our real estate loan customers, but in light of the uncertainty that exists in the economy and credit markets nationally, there can be no guarantee that we will not experience any deterioration in such performance.

Our concentration of one-to-four family residential mortgage loans may result in lower yields and profitability.

One-to-four family residential mortgage loans comprised $126.5 million and $151.3 million, or 33.3% and 39.4%, of our loan portfolio at December 31, 2007 and 2006, respectively. These loans are secured primarily by properties located in the state of Kansas. Our concentration of these loans results in lower yields relative to other loan categories within our loan portfolio. While these loans generally possess higher yields than investment securities, their repayment characteristics are not as well defined and they generally possess a higher degree of interest rate risk versus other loans and investment securities within our portfolio. This increased interest rate risk is due to the repayment and prepayment options inherent in residential mortgage loans which are exercised by borrowers based upon the overall level of interest rates. These residential mortgage loans are generally made on the basis of the borrower s ability to make repayments from his or her employment and the value of the property securing the loan. Thus, as a result, repayment of these loans is also subject to general economic and employment conditions within the communities and surrounding areas where the property is located.

The effects of ongoing mortgage market challenges, combined with the ongoing correction in residential real estate market prices and reduced levels of home sales, has the potential to adversely affect our one-to-four family residential mortgage portfolio in several ways, each of which could adversely affect our operating results and/or financial condition.

Commercial loans make up a significant portion of our loan portfolio.

Commercial loans were $103.1 million, or approximately 27.1% of our total loan portfolio as of December 31, 2007, compared to $90.8 million and 23.7% as of December 31, 2006. Our commercial loans are primarily made based on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Most often, this collateral is accounts receivable, inventory, or machinery. Credit support provided by the borrower for most of these loans and the probability of repayment is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any exists. As a result, in the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The collateral securing other loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

Our agricultural loans involve a greater degree of risk than other loans, and the ability of the borrower to repay may be affected by many factors outside of the borrower s control.

At December 31, 2007 and 2006, agricultural real estate loans totaled $6.9 million and $7.0 million, respectively, or 1.8%, of our total loan portfolio. Agricultural real estate lending involves a greater degree of risk and typically involves larger loans to single borrowers than lending on single-family residences. Payments on agricultural real estate loans are dependent on the profitable operation or management of the farm property securing the loan. The success of the farm may be affected by many factors outside the control of the farm borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies and environmental regulations). In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower s ability to repay the loan may be impaired. The primary crops in our market areas are wheat, corn and soybean. Accordingly, adverse circumstances affecting wheat, corn and soybean crops could have an adverse effect on our agricultural real estate loan portfolio.

We also originate agricultural operating loans. At December 31, 2007 and 2006, these loans totaled $34.4 million and $26.2 million, respectively, or 9.1% and 6.8% respectively, of our total loan portfolio. As with agricultural real estate loans, the repayment of operating loans is dependent on the successful operation or management of the farm property.

Likewise, agricultural operating loans involve a greater degree of risk than lending on residential properties, particularly in the case of loans that are unsecured or secured by rapidly depreciating assets such as farm equipment, livestock or crops. We generally secure agricultural operating loans with a blanket lien on livestock, equipment, food, hay, grain and crops. Nevertheless, any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation.

Our allowance for loan losses may prove to be insufficient to absorb probable losses in our loan portfolio.

We established our allowance for loan losses and maintain it at a level considered adequate by management to absorb probable loan losses that are inherent in the portfolio. Additionally, our Board of Directors regularly monitors the adequacy of our allowance for loan loses. The amount of future loan losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control, and such losses may exceed current estimates. At December 31, 2007 and 2006, our allowance for loan losses as a percentage of total loans was 1.1% and as a percentage of total non-performing loans was approximately 41.5% and 113.0%, respectively. Although management believes that the allowance for loan losses is adequate to absorb losses on any existing loans that may become uncollectible, we cannot predict loan losses with certainty nor can we assure you that our allowance for loan losses will prove sufficient to cover actual loan losses in the future. Loan losses in excess of our reserves may adversely affect our business, financial condition and results of operations.

Our continued pace of growth may require us to raise additional capital in the future, but that capital may not be available when it is needed.

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. We anticipate that our existing capital resources will satisfy our capital requirements for the foreseeable future. However, we may at some point need to raise additional capital to support continuing growth. Our ability to raise additional capital is particularly important to our strategy of continual growth through acquisitions. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital if needed on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired.

Our community banking strategy relies heavily on our management team, and the unexpected loss of key managers may adversely affect our operations.

Much of our success to date has been influenced strongly by our ability to attract and to retain senior management experienced in banking and financial services and familiar with the communities in our market area. Our ability to retain executive officers, the current management teams, branch managers and loan officers of our operating subsidiaries will continue to be important to the successful implementation of our strategy. It is also critical, as we grow, to be able to attract and retain qualified additional management and loan officers with the appropriate level of experience and knowledge about our market area to implement our community-based operating strategy. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results of operations.

Government regulation can result in limitations on our operations.

We operate in a highly regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies, including the Board of Governors of the Federal Reserve System, the FDIC and the OCC. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and customers rather than for the benefit of stockholders, govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, permissible activities for us to engage in, maintenance of adequate capital levels and other aspects of our operations. These bank regulators possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. The laws and regulations applicable to the banking industry could change at any time and we cannot predict the effects of these changes on our business and profitability. Increased regulation could increase our cost of compliance and adversely affect profitability. For example, new legislation or regulation may limit the manner in which we may conduct our business, including our ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads.

We have a continuing need for technological change and we may not have the resources to effectively implement new technology.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend in part upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our market area. Many of our larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that we will be able to offer, which would put us at a competitive disadvantage. Accordingly, we cannot provide you with assurance that we will be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to our customers.

There is a limited trading market for our common shares, and you may not be able to resell your shares at or above the price you paid for them.

Although our common shares are listed for trading on the Nasdaq Global Market under the symbol LARK , the trading in our common shares has substantially less liquidity than many other publicly traded companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the market of willing buyers and sellers of our common shares at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. We cannot assure you that volume of trading in our common shares will increase in the future.

System failure or breaches of our network security could subject us to increased operating costs as well as litigation and other liabilities.

The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. Our operations are dependent upon our ability to protect our computer equipment against damage from physical theft, fire, power loss, telecommunications failure or a similar catastrophic event, as well as from security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers. Any damage or failure that causes an interruption in our operations could have a material adverse effect on our financial condition and results of operations. Computer break-ins, phishing and other disruptions could also jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, which may result in significant liability to us and may cause existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage, there can be no assurance that these security measures will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. A failure of such security measures could have a material adverse effect on our financial condition and results of operations.

We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors.

Employee errors and misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

Failure to pay interest on our debt may adversely impact our ability to pay dividends.

$16.5 million of subordinated debentures are held by two business trusts that we control. Interest payments on the debentures must be paid before we pay dividends on our capital stock, including our common stock. We have the right to defer interest payments on the debentures for up to 20 consecutive quarters. However, if we elect to defer interest payments, all deferred interest must be paid before we may pay dividends on our capital stock. Deferral of interest payments could also cause a decline in the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The Company owns its main office in Manhattan and sixteen branch offices and leases 3 branch offices. The Company also leases a parking lot for one of the branch offices it owns. During 2007, the Company purchased its branch in Lawrence that had previously been leased.

ITEM 3. LEGAL PROCEEDINGS

There are no pending legal proceedings to which the Company or the Bank is a party, other than ordinary routine litigation incidental to the Bank s business. While the ultimate outcome of current legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these legal actions should not have a material effect on the Company s consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the quarter ended December 31, 2007.

PART II.

ITEM 5. MARKET FOR THE COMPANY S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has traded on the Nasdaq Global Market under the symbol LARK since 2001. At December 31, 2007, the Company had approximately 1,000 stockholders, consisting of approximately 390 owners of record and approximately 610 beneficial owners of our common stock. Set forth below are the reported high and low sale prices of our common stock and dividends paid during the past two years. Information presented below has been adjusted to give effect to the 5% stock dividends declared in December 2007 and 2006.

Year ended December 31, 2007	High		Low		Cash dividends paid	
First Quarter	$	27.48	$	25.48	$	0.1810
Second Quarter	$	27.10	$	25.81	$	0.1810
Third Quarter	$	27.49	$	25.05	$	0.1810
Fourth Quarter	$	27.00	$	24.11	$	0.1810

Year ended December 31, 2006	High		Low		Cash dividends paid	
First Quarter	$	26.67	$	23.71	$	0.1542
Second Quarter	$	26.90	$	25.33	$	0.1542
Third Quarter	$	27.19	$	24.10	$	0.1542
Fourth Quarter	$	28.80	$	26.04	$	0.1723

Performance Graph

The following graph presents a comparison of the Company s performance to the indices named below.

It assumes $100 invested on 12/31/2002 with dividends invested on a total return basis.

Source: SNL

Index		**Period Ending**				
	12/31/02	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**
Landmark Bancorp, Inc.	$ 100.00	$ 123.43	$ 140.22	$ 131.03	$ 154.17	$ 156.04
NASDAQ Bank	100.00	129.93	144.21	137.97	153.15	119.35
NASDAQ Composite	100.00	150.01	162.89	165.13	180.85	198.60

The following table provides information about purchases by the Company during the quarter ended December 31, 2007, of the Company s equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Period	**Total number of shares purchased**	**Average price paid per share**	**Total number of shares purchased as part of a publicly announced plan (1)**	**Maximum number of shares that may yet be purchased under the plans (1)**
October 1-31, 2007		$		37,559
November 1-30, 2007	10,000	26.50	10,000	27,559
December 1-31, 2007	7,763	26.52	7,763	19,796
Total	17,763	$ 26.51	17,763	19,796

(1) In November 2004, our Board of Directors approved the repurchase of 101,700 shares, of our common stock (2004 Repurchase Program). In January 2008, our Board of Directors approved a new stock repurchase program, enabling us to repurchase up to 119,900 shares, or 5% of our outstanding common stock (2008 Repurchase Program), following completion of the 2004 Repurchase Program. Unless terminated earlier by resolution of the Board of Directors, the current repurchase program will expire when we have repurchased all shares authorized for repurchase thereunder.

ITEM 6. SELECTED FINANCIAL DATA

	At or for the years ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands, except per share amounts)				
Selected Financial Data:					
Total assets	$ 606,455	$ 590,568	$ 465,110	$ 442,091	$ 334,046
Loans	376,157	379,324	274,566	277,414	214,296
Investment securities	164,724	145,884	140,131	133,604	99,746
Cash and cash equivalents	14,739	14,752	21,491	7,845	7,708
Deposits	452,652	444,485	331,273	302,868	253,108
Borrowings	93,088	90,416	85,258	94,571	33,755
Stockholders equity	52,296	49,236	44,073	42,169	42,572
Selected Operating Data:					
Interest income	$ 35,551	$ 34,395	$ 22,124	$ 19,949	$ 17,276
Interest expense	17,868	15,639	8,957	7,000	5,654
Net interest income	17,683	18,756	13,167	12,949	11,622
Provision for loan losses	255	235	385	460	240
Net interest income after provision for loan losses	17,428	18,521	12,782	12,489	11,382
Non-interest income	5,915	6,913	5,056	5,125	4,974
Non-interest expense	16,638	17,345	12,282	11,353	9,229
Earnings before income taxes	6,705	8,089	5,556	6,261	7,127
Income tax expense	1,303	2,079	1,659	2,010	2,275
Net earnings	$ 5,402	$ 6,010	$ 3,897	$ 4,251	$ 4,852
Net earnings per share (1):					
Basic	$ 2.22	$ 2.45	$ 1.59	$ 1.69	$ 1.89
Diluted	2.20	2.44	1.58	1.68	1.87
Dividends per share (1)	0.72	0.63	0.59	0.56	0.51
Book value per common share outstanding (1)	21.78	20.09	17.89	17.21	16.73
Other Data:					
Return on average assets	0.90%	1.01%	0.87%	0.98%	1.46%
Return on average equity	10.78%	13.01%	9.04%	9.98%	11.53%
Equity to total assets	8.62%	8.34%	9.48%	9.54%	12.74%
Net interest rate spread (2)	3.15%	3.35%	2.99%	2.99%	3.42%
Net interest margin (2)	3.47%	3.62%	3.26%	3.24%	3.78%
Non-performing assets to total assets	1.74%	0.68%	0.88%	0.37%	0.45%
Non-performing loans to net loans	2.67%	0.94%	1.21%	0.41%	0.56%
Allowance for loan losses to total loans	1.10%	1.05%	1.14%	1.04%	1.07%
Dividend payout ratio	32.70%	26.17%	37.14%	33.33%	27.63%
Number of full service banking offices	20	20	17	16	12

** Our selected consolidated financial data should be read in conjunction with, and is qualified in its entirety by, our consolidated financial statements, including the related notes.

(1) All per share amounts have been adjusted to give effect to the 5% stock dividends paid in December 2007, 2006, 2005, 2004 and 2003.

(2) Presented on a taxable equivalent basis, using a 34% federal tax rate.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CORPORATE PROFILE AND OVERVIEW

Landmark Bancorp, Inc. is a one-bank holding company incorporated under the laws of the State of Delaware and is engaged in the banking business through its wholly-owned subsidiary, Landmark National Bank. Landmark Bancorp is listed on the Nasdaq Global Market under the symbol LARK . Landmark National Bank is dedicated to providing quality financial and banking services to its local communities. Our strategy includes continuing a tradition of quality assets while growing our commercial and commercial real estate loan portfolios. We are committed to developing relationships with our borrowers and providing a total banking service.

Landmark National Bank is principally engaged in the business of attracting deposits from the general public and using such deposits, together with Federal Home Loan Bank borrowings and funds from operations, to originate commercial real estate and non-real estate loans and one-to-four family residential mortgage loans. Landmark National Bank also originates consumer loans, small business loans, multi-family residential mortgage loans and home equity loans. Although not our primary business function, we do invest in certain investment and mortgage-related securities using deposits and other borrowings as funding sources.

Our results of operations are primarily dependent on net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows. In addition, we are subject to interest rate risk to the degree that our interest-earning assets mature or reprice at different times, or at different speeds, than our interest-bearing liabilities.

Our results of operations are also affected by non-interest income, such as service charges, loan fees and gains and losses from the sale of newly originated loans and investments. Our operating expenses, aside from interest expense, principally consist of compensation and employee benefits, occupancy costs, federal deposit insurance costs, data processing expenses and provisions for potential loan losses.

We are significantly impacted by prevailing economic conditions including federal monetary and fiscal policies and federal regulations of financial institutions. Deposit balances are influenced by numerous factors such as competing investments, the level of income and the personal rate of savings within our market areas. Factors influencing lending activities include the demand for housing and the interest rate pricing competition from other lending institutions.

Currently, our business consists of ownership of Landmark National Bank, with its main office in Manhattan, Kansas and nineteen branch offices in eastern, central and southwestern Kansas.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those, which are both most important to the portrayal of our financial condition and results of operations, and require our management s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies relate to the allowance for loan losses, the valuation of investment securities, accounting for income taxes and the accounting related to business acquisitions, all of which involve significant judgment by our management.

We perform periodic and systematic detailed reviews of our lending portfolio to assess overall collectability. The level of the allowance for loan losses reflects our estimate of the collectability of the loan portfolio. While these estimates are based on substantive methods for determining allowance requirements, nevertheless, actual outcomes may differ significantly from estimated results. Additional explanation of the methodologies used in establishing this reserve is provided in the Asset Quality and Distribution section.

We report our available for sale investment securities at estimated fair values based on readily ascertainable values which are obtained from independent sources. Our management performs periodic reviews of the investment securities to determine if any investment securities have declined in value which might be considered other than temporary. Our most recent review showed that the decrease in fair value of the securities, resulting in an unrealized loss position, was related to changes in interest rates and we do not believe that any of the unrealized losses are related to credit deterioration. We have the ability and intent to hold these securities until market values recover, including up to the maturity date. Although we believe that our estimates of the fair values of investment securities to be reasonable, economic and market factors may affect the amounts that will ultimately be realized from these investments.

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity s financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Under FIN 48, an income tax position will be recognized if it is more likely than not that it will be sustained upon IRS examination, based upon its technical merits. Once that status is met, the amount recorded will be the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Changes in estimates regarding the actual outcome of these future tax consequences, including the effects of IRS examinations and examinations by other state agencies, could materially impact our financial position and results of operations.

We have completed several business and asset acquisitions, which have generated significant amounts of goodwill and intangible assets and related amortization. The values assigned to goodwill and intangibles, as well as their related useful lives, are subject to judgment and estimation by our management. Goodwill and intangibles related to acquisitions are determined and based on purchase price allocations. Valuation of intangible assets is generally based on the estimated cash flows related to those assets, while the initial value assigned to goodwill is the residual of the purchase price over the fair value of all identifiable assets acquired and liabilities assumed. If the carrying value of the goodwill exceeded the implied fair value of the goodwill, an impairment loss would be recorded in an amount equal to that excess. Performing such a discounted cash flow analysis involves the use of estimates and assumptions. Useful lives are determined based on the expected future period of the benefit of the asset, the assessment of which considers various characteristics of the asset, including the historical cash flows. Due to the number of estimates involved related to the allocation of purchase price and determining the appropriate useful lives of intangible assets, we have identified purchase accounting as a critical accounting policy.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

SUMMARY OF PERFORMANCE. Net earnings for 2007 decreased $608,000, or 10.6%, to $5.4 million as compared to 2006. Our decline in earnings for 2007 declined from 2006 primarily due to decreases in both net interest income and non-interest income.

The year ended December 31, 2007 resulted in diluted earnings per share of $2.20 compared to $2.44 for 2006. Return on average assets was 0.90% for 2007, compared to 1.01% for 2006. Return on average stockholders equity was 10.78% for 2007, compared to 13.01% for 2006.

We distributed a 5% stock dividend for the seventh consecutive year in December 2007. All per share and average share data in this section reflects the 2007 and 2006 stock dividends.

INTEREST INCOME. Interest income for 2007 increased $1.2 million, or 3.4%, to $35.6 million from $34.4 million for 2006, primarily as a result of an increase in interest income on investment securities. Average loans for 2007 decreased to $383.1 million from $393.7 million in 2006. Despite the decrease in average loans, interest income on loans increased $171,000, or 0.6%, to $28.5 million for 2007, due primarily to an increase in the average yield on loans from 7.20% during 2006 to 7.45% during 2007. Average investment securities increased from $144.1 million for 2006, to $157.4 million for 2007. The average yield on our investment securities increased to 5.15% during 2007 from 4.70% during 2006. As a result of higher balances and yields, interest income on investment securities increased $1.0 million, or 16.2%, to $7.1 million for 2007.

INTEREST EXPENSE. Interest expense for 2007 increased 14.3%, or $2.2 million, to $17.9 million from $15.6 million for 2006. Interest expense on deposits increased to $13.5 million, or 23.4%, from $10.9 million in 2006 as average deposits increased from $439.7 million for 2006, to $448.8 million during 2007. The average rate on our certificates of deposit increased from 3.78% in 2006 to 4.48% in 2007. This increase was due in part to increased competition for deposits and the repricing of lower rate certificates of deposits. The higher average deposits allowed us to decrease our average borrowings for 2007 to $94.2 million from $103.8 million for 2006. Corresponding with the decrease in average borrowings for the comparable periods, interest expense on borrowings decreased $329,000, or 7.0%. Additionally, offsetting the lower average borrowings were increased interest rates, as the average rate on our borrowings increased from 4.52% in 2006 to 4.63% in 2007.

NET INTEREST INCOME. Net interest income represents the difference between income derived from interest-earning assets and the expense incurred on interest-bearing liabilities. Net interest income is affected by both the difference between the rates of interest earned on interest-earnings assets and the rates paid on interest-bearing liabilities (interest rate spread) as well as the relative amounts of interest-earning assets and interest-bearing liabilities.

Net interest income for the year ended December 31, 2007 decreased $1.1 million to $17.7 million compared to the year ended December 31, 2006, a decrease of 5.7%. This decline in net interest income was due primarily to the increase in our cost of funding outpacing the increase in our yield on interest earning assets, which resulted in our net interest margin, on a tax equivalent basis, declining to 3.47% from 3.62% for 2007 and 2006, respectively. In the latter part of 2007, as the Federal Reserve lowered interest rates, our loan yields decreased at a faster pace than our deposit costs. The faster decline in loan yields was largely attributed to increasing competitive pressures resulting from a slowing economy, deteriorating loan pricing, and relatively fewer lending opportunities. At the same time increasing competition for deposits has limited our ability to lower the costs of deposits as quickly as the loans.

PROVISION FOR LOAN LOSSES. We maintain, and our Board of Directors monitors, an allowance for losses on loans. The allowance is established based upon management s periodic evaluation of known and inherent risks in the loan portfolio, review of significant individual loans and collateral, review of delinquent loans, past loss experience, adverse situations that may affect the borrowers ability to repay, current and expected market conditions, and other factors management deems important. Determining the appropriate level of reserves involves a high degree of management judgment and is based upon historical and projected losses in the loan portfolio and the collateral value of specifically identified problem loans. Additionally, allowance strategies and policies are subject to periodic review and revision in response to a number of factors, including current market conditions, actual loss experience and management s expectations.

The provision for loan losses increased to $255,000 for 2007, compared to $235,000 for 2006. Our regular review of the loan portfolio prompted the increase in our provision, primarily as a result of decreases in credit quality, slowing economic conditions, increased commercial lending and higher nonperforming asset balances.. At December 31, 2007, the allowance for loan losses was $4.2 million, or 1.1% of gross loans outstanding, compared to $4.0 million, also 1.1% of gross loans outstanding, at December 31, 2006. For further discussion of the provision for loan losses, refer to the Asset Quality and Distribution section.

NON-INTEREST INCOME. Non-interest income decreased $998,000 or 14.4%, during 2007, to $5.9 million compared to 2006. This decrease in 2007 was generally the result of certain items recognized during 2006, including $717,000 in gains on the sale of certain assets, primarily our former main banking facility located at 800 Poyntz, Manhattan, Kansas. These gains in 2006 were partially offset by $300,000 in losses on sale of investments and purchasing higher yielding, longer-term investments during the second quarter of 2006. Furthering this decline was a decrease in gains on sale of loans of $185,000, or 16.2%, while deposit related income remained stable, declining by $3,000.

NON-INTEREST EXPENSE. Non-interest expense decreased $706,000, or 4.1%, to $16.6 million for 2007, as compared to 2006. The decrease in non-interest expense for 2007 resulted primarily from a $498,000 decrease in compensation and benefits, a $114,000 decrease in amortization of intangible assets expense, and the achievement of cost savings resulting from the acquisition of First Manhattan Bancorporation.

INCOME TAXES. Income tax expense decreased $776,000, or 37.3%, to $1.3 million for 2007, from $2.1 million for 2006. The decrease in income tax expense for 2007 resulted from a decrease in taxable income during 2007 as compared to 2006 as well as a decline in the effective tax rate for 2007, which decreased to 19.4% from 25.7% for 2006. The effective tax rate for 2007 was lower than 2006 primarily because of our increase in non-taxable income related to tax exempt municipal investments, higher income on bank owned life insurance and the recognition of $50,000 of previously unrecognized tax benefits.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

SUMMARY OF PERFORMANCE. Net earnings for 2006 increased $2.1 million, or 54.2%, to $6.0 million as compared to 2005. Our improved earnings were attributed primarily to our acquisition of FMB along with continued improvement in our net interest margin. The acquisition allowed for continued growth in non-interest income items such as fees and service charges and gains on sale of loans. At the same time, we were able to realize cost savings associated with the assimilation of the FMB franchise during 2006.

The year ended December 31, 2006 resulted in diluted earnings per share of $2.44 compared to $1.58 for 2005. Return on average assets was 1.01% for 2006, compared to 0.87% for 2005. Return on average stockholders equity was 13.01% for 2006, compared to 9.04% for 2005.

We distributed a 5% stock dividend for the sixth consecutive year in December 2006. All per share and average share data in this section reflects the 2006 and 2005 stock dividends.

INTEREST INCOME. Interest income for 2006 increased $12.3 million, or 55.5%, to $34.4 million from $22.1 million for 2005. This increase was primarily the result of the increase in interest earning assets as a result of the acquisition of FMB at the beginning of 2006. Average loans for 2006 increased to $393.7 million from $275.2 million in 2005. Interest income on loans increased $11.0 million, or 63.6%, to $28.3 million for 2006. Also contributing to the higher interest income was an increase in the average yield on loans from 6.30% during 2005 to 7.20% during 2006. Average investment securities increased from $141.8 million for 2005, to $144.1 million for 2006. Interest income on investment securities increased $1.3 million, or 26.3%, to $6.1 million for 2006, due to the increase in interest rates which allowed the yields on our investments purchased in 2006 to exceed the yields on the investments which either matured or were sold during the past year. The average yield on our investment securities increased to 4.70% during 2006 from 3.67% during 2005.

INTEREST EXPENSE. Interest expense for 2006 increased 74.6%, or $6.7 million, to $15.6 million from $9.0 million for 2005. Interest expense on deposits increased to $10.9 million, or 96.5%, from $5.6 million in 2005 as average deposits increased from $313.4 million for 2005, to $439.7 million during 2006. The increase in interest expense on deposits resulted from the addition of approximately $106.8 million in deposits that we acquired through the FMB acquisition, as well as from the repricing of deposits due to the rise in interest rates. The average rate on our certificates of deposit increased from 2.69% in 2005 to 3.78% in 2006. Average borrowings for 2006 increased to $103.8 million from $88.6 million for 2005. The increase in average borrowings related primarily to debt acquired in the FMB acquisition. Corresponding with the increase in average borrowings for the comparable periods, interest expense on borrowings increased $1.3 million, or 38.6%. Additionally, contributing to the increase in interest expenses on borrowings were increased interest rates, as the average rate on our borrowings increased from 3.82% in 2005 to 4.52% in 2006.

NET INTEREST INCOME. Net interest income for the year ended December 31, 2006 increased $5.6 million to $18.8 million compared to the year ended December 31, 2005, an increase of 42.4%. This increase was due primarily to the higher level of interest earning assets obtained in the acquisition of FMB and an improvement in the net interest margin, on a tax equivalent basis, to 3.62% for 2006 from 3.26% for 2005. The improvement in our net interest margin was impacted by our balance sheet positioning over the past couple of years, when interest rates were at historical lows, to maintain a short term repricing strategy for our interest earning assets. This approach allowed our assets to reprice to higher rates at a faster pace than our liabilities repriced during 2006, as short and intermediate rates increased. Also contributing to the increase was our ability to continue to diversify our loan portfolio through the growth in commercial loans during 2006. Although the FMB acquisition increased our one-to-four family residential loan totals, our percentage of one-to-four family residential loans declined from 41.4% at December 31, 2005 to 39.5% at December 31, 2006. This reduction in one-to-four family residential loans was due to normal refinancings and amortization. Another factor was the restructuring of a part of our investment portfolio whereby we sold some of our lower yielding, short term investments at a loss and purchased longer term investments with higher yields during the middle of 2006.

PROVISION FOR LOAN LOSSES. The provision for loan losses decreased to $235,000 for 2006, compared to $385,000 for 2005. Our regular review of the loan portfolio prompted a decrease in our provision, primarily as a result of improvement in the asset quality of the commercial loan portfolio. At December 31, 2006, the allowance for loan losses was $4.0 million, or 1.1% of gross loans outstanding, compared to $3.2 million, or 1.1% of gross loans outstanding, at December 31, 2005. For further discussion of the provision for loan losses, refer to the Asset Quality and Distribution section.

NON-INTEREST INCOME. Non-interest income increased $1.9 million or 36.7%, during 2006, to $6.9 million compared to 2005. This improvement was primarily the result of a $502,000, or 78.6%, increase of gains on sale of loans, and an increase in fees and service charges of $913,000, or 26.9%, both of which are primarily attributable to volume increases associated with the FMB acquisition. Additionally, total non-interest income included $717,000 in gains recognized from the sale of other assets, primarily from the sale of our previous headquarters located at 800 Poyntz, Manhattan, Kansas. Also contributing to the increased non-interest income during 2006 was a $308,000 increase in bank owned life insurance income, which resulted from the purchase of additional policies totaling $7.5 million in March 2006. Partially offsetting these increases were losses of $300,000 on the sale of investment securities during 2006 compared to a gain of $47,000 for 2005. The losses incurred during 2006 were the result of repositioning our investment portfolio by selling some relatively short term, lower yielding investment securities and purchasing longer term, higher yielding investment securities. These increases more than offset the $407,000 gain on prepayment of Federal Home Loan Bank borrowings recognized in the third quarter of 2005.

NON-INTEREST EXPENSE. Non-interest expense increased $5.1 million, or 41.2%, to $17.3 million for 2006, as compared to 2005. The increase in non-interest expense for 2006 as compared to 2005 resulted primarily from a $2.6 million increase in compensation and benefits, an $812,000 increase in occupancy and equipment, a $580,000 increase in amortization, a $175,000 increase in professional fees and a $182,000 increase in data processing expenses. These increases were primarily from the impact of the FMB acquisition and the late 2005 acquisition of two branches in Great Bend, Kansas. While we have made significant progress achieving cost savings by consolidating our personnel, operations and facilities, the impact of the acquisitions included a net increase in personnel, equipment and facilities and the number of accounts being processed. Also contributing to the increase in non-interest expense was the opening of a new branch location in Topeka, Kansas during August 2006.

INCOME TAXES. Income tax expense increased $421,000, or 25.4%, to $2.1 million for 2006, from $1.7 million for 2005. The increase in income tax expense for 2006 resulted from the increase in taxable income during 2006 as compared to 2005. Offsetting the increase in taxable income was a decline in the effective tax rate for 2006, which decreased to 25.7% from 29.9% for 2005. The effective tax rate for 2006 was lower than 2005 primarily because we recognized certain previously unrecorded tax benefits due to the resolution of tax uncertainties, along with an increase in non-taxable income related to bank owned life insurance and municipal investments.

AVERAGE ASSETS/LIABILITIES. The following table sets forth information relating to average balances of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2007, 2006 and 2005. This table reflects the average yields on assets and average costs of liabilities for the periods indicated (derived by dividing income or expense by the monthly average balance of assets or liabilities, respectively) as well as the net interest margin (which reflects the effect of the net earnings balance) for the periods shown.

	Year ended December 31, 2007			**Year ended December 31, 2006**			**Year ended December 31, 2005**		
	Average Balance	**Interest**	**Average Yield/Rate**	**Average Balance**	**Interest**	**Average Yield/Rate**	**Average Balance**	**Interest**	**Average Yield/Rate**
Assets									
Interest-earning assets:									
Investment securities (1)	$ 157,376	$ 8,109	5.15%	$ 144,110	$ 6,771	4.70%	$ 141,790	$ 5,205	3.67%
Loans receivable, net (2)	383,078	28,535	7.45%	393,709	28,345	7.20%	275,183	17,347	6.30%
Total interest-earning assets	540,454	36,644	6.78%	537,819	35,116	6.53%	416,973	22,552	5.41%
Non-interest-earning assets	60,689			59,573			32,347		
Total	$ 601,143			$ 597,392			$ 449,320		
Liabilities and Stockholders Equity									
Interest-bearing liabilities:									
Certificates of deposit	$ 237,831	$ 10,656	4.48%	$ 226,963	$ 8,570	3.78%	$ 162,442	$ 4,369	2.69%
Money market and NOW accounts	132,813	2,769	2.08%	131,470	2,287	1.74%	95,010	1,129	1.19%
Savings accounts	27,048	81	0.30%	29,914	90	0.30%	24,520	73	0.30%
FHLB advances and other borrowings	94,171	4,362	4.63%	103,805	4,692	4.52%	88,599	3,386	3.82%
Total interest-bearing liabilities	491,863	17,868	3.63%	492,152	15,639	3.18%	370,571	8,957	2.42%
Non-interest-bearing liabilities	59,146			59,031			35,644		
Stockholders equity	50,134			46,209			43,105		
Total	$ 601,143			$ 597,392			$ 449,320		
Interest rate spread (3)			3.15%			3.35%			2.99%
Net interest margin (4)		$ 18,776	3.47%		$ 19,477	3.62%		$ 13,595	3.26%
Tax equivalent interest - imputed		1,093			721			428	
Net interest income		$ 17,683			$ 18,756			$ 13,167	
Ratio of average interest-earning assets to average interest-bearing liabilities		109.88%			109.28%			112.52%	

(1) Income on investment securities includes all securities and interest bearing deposits in other financial institutions. Income on tax exempt investment securities is presented on a fully taxable equivalent basis, using a 34% federal tax rate.

(2) Includes loans classified as non-accrual. Income on tax exempt loans is presented on a fully taxable equivalent basis, using a 34% federal tax rate.

(3) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average interest-earning assets.

QUARTERLY RESULTS OF OPERATIONS

	Fiscal 2007 Quarters Ended			
	March 31	June 30	September 30	December 31
Interest income	$ 8,830,732	$ 9,001,879	$ 9,085,905	$ 8,632,573
Interest expense	4,331,532	4,535,424	4,624,993	4,376,263
Net interest income	4,499,200	4,466,455	4,460,913	4,256,310
Provision for loan losses	65,000	60,000	70,000	60,000
Net interest income after provision for loan losses	4,434,200	4,406,455	4,390,912	4,196,310
Non-interest income	1,328,869	1,514,358	1,575,449	1,496,958
Non-interest expense	4,157,393	4,157,779	4,161,454	4,161,738
Earnings before income taxes	1,605,676	1,763,034	1,804,907	1,531,530
Income tax expense	361,056	409,431	367,341	165,255
Net earnings	$ 1,244,620	$ 1,353,603	$ 1,437,566	$ 1,366,275
Earnings per share(1):				
Basic	$ 0.51	$ 0.55	$ 0.59	$ 0.57
Diluted	$ 0.50	$ 0.55	$ 0.59	$ 0.56

	Fiscal 2006 Quarters Ended			
	March 31	June 30	September 30	December 31
Interest income	$ 8,137,331	$ 8,346,242	$ 8,837,471	$ 9,073,397
Interest expense	3,491,944	3,799,355	4,115,091	4,232,494
Net interest income	4,645,387	4,546,887	4,722,380	4,840,903
Provision for loan losses	60,000	15,000	80,000	80,000
Net interest income after provision for loan losses	4,585,387	4,531,887	4,642,380	4,760,903
Non-interest income	1,691,541	1,941,325	1,683,077	1,597,204
Non-interest expense	4,236,854	4,217,154	4,313,570	4,577,030
Earnings before income taxes	2,040,074	2,256,058	2,011,887	1,781,077
Income tax expense	619,160	659,968	548,240	252,087
Net earnings	$ 1,420,914	$ 1,596,090	$ 1,463,647	$ 1,528,990
Earnings per share(1):				
Basic	$ 0.58	$ 0.65	$ 0.60	$ 0.62
Diluted	$ 0.58	$ 0.65	$ 0.59	$ 0.62

(1) All per share amounts have been adjusted to give effect to the 5% stock dividend paid during December 2007 and 2006.

FINANCIAL CONDITION

Although the Company has avoided many of the problems caused by the deterioration in residential real estate market values and loan portfolio credit quality, particularly the subprime mortgage sector, the Company s asset quality and 2007 performance has nonetheless been affected by the softening in economic conditions and turbulence in the housing market. Management believes that it continues to have a high quality asset base and solid earnings and anticipates that its efforts to run a high quality financial institution with a sound asset base will continue to create a strong foundation for continued growth and profitability in the future.

ASSET QUALITY AND DISTRIBUTION. Total assets increased to $606.5 million at December 31, 2007, compared to $590.6 million at December 31, 2006. This increase was primarily attributable to increased balances in our investment portfolio. Our primary ongoing sources of funds are deposits, FHLB borrowings, proceeds from principal and interest payments on loans and investment securities and proceeds from the sale of mortgage loans and investment securities. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates and economic conditions.

Net loans, excluding loans held for sale, decreased to $376.2 million as of December 31, 2007 from $379.3 million as of December 31, 2006. The $3.1 million decline in net loans is a result of the refinancings and paydowns in our residential portfolio exceeding our commercial and commercial real estate loan originations. We have concentrated on generating commercial loans over the past few years and are pleased that this segment of our loan portfolio has grown. Despite the decrease in total loans, we continued our balance sheet transition with an increase of $21.6 million in commercial and commercial real estate loans, which partially offset a decline of $24.8 million in one to four family residential loans. This is consistent with our strategy to continue to reduce portfolio reliance on residential mortgage loans, most of which have been acquired in previous acquisitions, and increasing our loan portfolio in the area of commercial lending. We plan to continue our efforts to grow our commercial and commercial real estate lending activities. As of December 31, 207, our commercial loans, including commercial real estate loans, comprised 64.3% of our loan portfolio, up from 58.1% at December 31, 2006. As of December 31, 2007, our one-to-four family residential loans comprised 33.3% of total loans, down from 39.4% at December 31, 2006. We anticipate continuing to diversify our loan portfolio composition through our continued planned expansion of commercial and commercial real estate lending activities.

Our primary investing activities are the origination of commercial, mortgage and consumer loans and the purchase of investment and mortgage-backed securities. Generally, we originate fixed-rate, residential mortgage loans with maturities in excess of ten years for sale in the secondary market. We do not originate and warehouse these fixed-rate residential loans for resale in order to speculate on interest rates. As of December 31, 2007, our residential mortgage loan portfolio consisted of $41.7 million with fixed rates and $84.8 million with variable rates.

The allowance for losses on loans is established through a provision for losses on loans based on our evaluation of the risk inherent in the loan portfolio and changes in the nature and volume of its loan activity. Such evaluation, which includes a review of all loans with respect to which full collectibility may not be reasonably assured, considers the fair value of the underlying collateral, economic conditions, historical loan loss experience, level of classified loans and other factors that warrant recognition in providing for an adequate allowance for losses on loans.

As of December 31, 2007, loans with a balance of $10.0 million were on non-accrual status, or 2.6% of total loans, compared to a balance of $3.6 million loans on non-accrual status, or 0.9% of total loans, as of December 31, 2006. The Company s non-accrual loans increased during the latter part of 2007 to $10.0 million as of December 31, 2007 as compared to $3.6 million as of December 31, 2006. This increase was primarily related to four construction loan relationships totaling $5.1 million at December 31, 2007. One of these relationships comprising $2.4 million was collected in January of 2008. As part of the Company s credit risk management, the Company continues to aggressively manage the loan portfolio to identify problem loans and has placed additional emphasis on its commercial real estate and construction relationships. The ratio of non-performing assets as a percentage of total assets was 1.74% at December 31, 2007 and 0.68% at December 31, 2006. Net charge offs were $113,000 for 2007, compared to net charge offs of $248,000 for 2006.

VI. Return on Equity and Assets

Although the economy appears to have slowed, the outlook of the economy for 2008, however, depends on whether the recent reductions in the federal funds rate stimulate the economy or if the economic slowdown continues. Based on the outcomes, these events could adversely affect cash flows for both commercial and individual borrowers, as a result of which, we could experience increases in problem assets, delinquencies and losses on loans. Many financial institutions, including us, have experienced an increase in non-performing assets during the recent economic period, as even well-established business borrowers developed cash flow, profitability and other business-related problems. We believe that the allowance for losses on loans at December 31, 2007, was adequate, however, there can be no assurances that losses will not exceed the estimated amounts. While we believe that we use the best information available to determine the allowance for losses on loans, unforeseen market conditions could result in adjustment to the allowance for losses on loans. In addition, net earnings could be significantly affected if circumstances differ substantially from the assumptions used in establishing the allowance for losses on loans.

LIABILITY DISTRIBUTION. Total deposits increased to $452.7 million at December 31, 2007 from $444.5 million at December 31, 2006. Borrowings decreased $2.7 million to $93.1 million at December 31, 2007 from $90.4 million at December 31, 2006.

Non-interest bearing deposits at December 31, 2007 were $51.0 million, or 11.3% of deposits, compared to $48.4 million, or 10.9% of deposits, at December 31, 2006. Money market and NOW deposit accounts were 30.8% of the portfolio and totaled $139.6 million at December 31, 2007, compared to $137.3 million, or 30.9% of deposits, at December 31, 2006. Savings accounts decreased to $25.9 million, or 5.7% of deposits, at December 31, 2007, from $27.7 million, or 6.2% of deposits, at December 31, 2006. Certificates of deposit increased to $236.2 million, or 52.1% of deposits, at December 31, 2007, from $231.1 million, or 52.0% of deposits, at December 31, 2006.

Certificates of deposit at December 31, 2007 which were scheduled to mature in one year or less totaled $206.0 million. Historically, maturing deposits have generally remained with Landmark National Bank and we believe that a significant portion of the deposits maturing in one year or less will remain with us upon maturity.

CASH FLOWS. During the year ended December 31, 2007, our cash and cash equivalents decreased by $3.0 million. Our operating activities during 2007 provided net cash of $4.8 million. We used $16.5 million in investing activities in 2007, primarily from purchasing more investment securities than the amount that matured or prepaid. Offsetting this was $2.4 million of cash relating to a net decrease in loans. Our financing activities provided net cash of $8.7 million in financing activities during 2007, primarily due to an $8.3 million increase in our deposits portfolio and $11.1 million borrowed from our FHLB line of credit. These financing cash inflows were used to retire $3.0 million of FHLB advances, and $1.1 million of net other borrowings, as well as to pay $1.8 million of dividends and purchase $1.4 million of treasury stock.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS. The following table presents contractual obligations, defined as operating lease obligations and principal payments due on non-deposit obligations with maturities in excess of one year as of December 31, 2007, for the periods indicated. Unrealized tax benefits related to tax uncertainties which are not more likely than not are not included in the following table as the timing and resolution of these unrealized benefits can not be reasonably estimated.

Contractual cash obligations	Total	One year or less	One to three years	Four to five years	More than five years
Operating leases	$ 127,597	$ 63,684	$ 63,913	$	$
Service contracts	3,990,000	1,260,000	2,520,000	210,000	
FHLB advances	69,026,525	13,100,000	51,516,493		4,410,032
Other borrowings	24,061,554	4,678,285	2,887,269		16,496,000
Total contractual obligations	$ 97,205,676	$ 19,101,969	$ 56,987,675	$ 210,000	$ 20,906,032

LIQUIDITY. Our most liquid assets are cash and cash equivalents and investment securities available for sale. The level of these assets is dependent on our operating, financing, lending and investing activities during any given period. At December 31, 2007 and 2006, the carrying value of these liquid assets totaled $179.5 million and $160.6 million, respectively. During periods in which we are not able to originate a sufficient amount of loans and/or periods of high principal prepayments, we increase our liquid assets by investing in short-term U.S. Government and agency securities or high-grade municipal securities.

Liquidity management is both a daily and long-term function of our strategy. Excess funds are generally invested in short-term investments. In the event we require funds beyond our ability to generate them internally, additional funds are available through the use of FHLB advances, a line of credit with the FHLB, other borrowings or through sales of securities. At December 31, 2007, we had outstanding FHLB advances of $57.9 million and $11.1 million of borrowings on our line of credit with the FHLB. At December 31, 2007, our total borrowing capacity with the FHLB, which is based on collateral pledged, was $117.9 million. We also had other borrowings of $24.1 million at December 31, 2007, which included $16.5 million of subordinated debentures, $2.7 million of long-term debt and $4.9 million in repurchase agreements.

As a provider of financial services, we routinely issue financial guarantees in the form of financial and performance standby letters of credit. Standby letters of credit are contingent commitments issued by us generally to guarantee the payment or performance obligation of a customer to a third party. While these standby letters of credit represent a potential outlay by us, a significant amount of the commitments may expire without being drawn upon. We have recourse against the customer for any amount the customer is required to pay to a third party under a standby letter of credit. The letters of credit are subject to the same credit policies, underwriting standards and approval process as loans made by us. Most of the standby letters of credit are secured, and in the event of nonperformance by the customers, we have the right to the underlying collateral, which could include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The contract amount of these standby letters of credit, which represents the maximum potential future payments guaranteed by us, was $2.0 million at December 31, 2007.

At December 31, 2007, we had outstanding loan commitments, excluding standby letters of credit, of $72.3 million. We anticipate that sufficient funds will be available to meet current loan commitments. These commitments consist of unfunded lines of credit and commitments to finance real estate loans.

CAPITAL. The Federal Reserve has established capital requirements for bank holding companies which generally parallel the capital requirements for national banks under OCC regulations. The regulations provide that such standards will generally be applied on a consolidated (rather than a bank-only) basis in the case of a bank holding company with more than $500 million in total consolidated assets.

At December 31, 2007, we continued to maintain a sound leverage capital ratio of 8.9% and a total risk based capital ratio of 13.4%. As shown by the following table, our capital exceeded the minimum capital requirements at December 31, 2007 (dollars in thousands):

		Actual Amount	Actual percent	Required percent		Required amount
Leverage	$	51,766	8.9%	4.0%	$	23,318
Tier 1 capital	$	51,766	12.4%	4.0%	$	16,660
Total risk based capital	$	55,938	13.4%	8.0%	$	33,320

At December 31, 2007, Landmark National Bank continued to maintain a sound leverage ratio of 9.1% and a total risk based capital ratio of 13.7%. As shown by the following table, Landmark National Bank s capital exceeded the minimum capital requirements at December 31, 2007 (dollars in thousands):

	Actual amount	Actual percent	Required percent	Required amount
Leverage	$ 52,737	9.1%	4.0%	$ 23,137
Tier 1 capital	$ 52,737	12.7%	4.0%	$ 15,863
Total risk based capital	$ 56,909	13.7%	8.0%	$ 31,727

Banks and bank holding companies are generally expected to operate at or above the minimum capital requirements. The above ratios are well in excess of regulatory minimums and should allow us to operate without capital adequacy concerns. The Federal Deposit Insurance Corporation Improvement Act of 1991 establishes a bank rating system based on the capital levels of banks. As of December 31, 2007 and 2006, we were rated well capitalized , which is the highest rating available under this capital-based rating system. We have $16.5 million in trust preferred securities and, in accordance with current capital guidelines, this amount has been included in our Tier 1 capital ratios as of December 31, 2007. Cash distributions on the securities are payable quarterly, are deductible for income tax purposes and are included in interest expense in the consolidated financial statements.

On March 1, 2005, the Board of Governors of the Federal Reserve System issued a final rule regarding the continued inclusion of trust preferred securities in the Tier 1 capital of bank holding companies, subject to stricter standards. As a result of the final rule, the Federal Reserve will limit the aggregate amount of a bank holding company s cumulative perpetual preferred stock, trust preferred securities and other minority interests to 25% of a company s core capital elements, net of goodwill. Regulations in place at the time we placed our currently outstanding trust preferred securities did not require the deduction of goodwill. The rule also provides that amounts of qualifying trust preferred securities and certain minority interests in excess of the 25% limit may be included in Tier 2 capital but will be limited, together with subordinated debt and limited-life preferred stock, to 50% of Tier 1 capital. The final rule provides a five-year transition period for bank holding companies to meet these quantitative limitations. While management does not anticipate that the final rule will have an impact on the Company when the five-year transition period expires, it is not possible to predict the final impact of the rule on us.

DIVIDENDS

During the year ended December 31, 2007, we paid a quarterly cash dividend of $0.181 per share to our stockholders. Additionally, we distributed a 5% stock dividend for the seventh consecutive year in December 2007. The cash dividends have been adjusted to give effect to the 5% stock dividend.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations. As described above, Landmark National Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 2007. The National Bank Act imposes limitations on the amount of dividends that a national bank may pay without prior regulatory approval. Generally, the amount is limited to the bank s current year s net earnings plus the adjusted retained earnings for the two preceding years. As of December 31, 2007, approximately $729,000 was available to be paid as dividends to Landmark Bancorp by Landmark National Bank without prior regulatory approval.

Additionally, our ability to pay dividends is limited by the subordinated debentures that are held by two business trusts that we control. Interest payments on the debentures must be paid before we pay dividends on our capital stock, including our common stock. We have the right to defer interest payments on the debentures for up to 20 consecutive quarters. However, if we elect to defer interest payments, all deferred interest must be paid before we may pay dividends on our capital stock.

RECENT ACCOUNTING DEVELOPMENTS

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. It does not require any new fair value measurements. The Company adopted this Statement on January 1, 2008. The adoption of the Statement did not have a material effect on our consolidated financial statements.

In September 2006, the Emerging Issues Task Force (EITF) Issue 06-4, *Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*, was ratified. This EITF Issue addresses accounting for separate agreements which split life insurance policy benefits between an employer and employee. The Issue requires the employer to recognize a liability for future benefits payable to the employee under these agreements. The effects of applying this Issue must be recognized through either a change in accounting principle through an adjustment to equity or through the retrospective application to all prior periods. The Company adopted this Statement on January 1, 2008. The adoption of the Issue did not have a material effect on our consolidated financial statements.

In September 2006, the EITF Issue 06-5, *Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4*, was ratified. This EITF Issue addresses accounting for what could be realized as an asset and provides clarification regarding additional amounts included in the contractual terms of an individual policy in determining the amount that could be realized under the insurance contract. The effects of applying this issue must be recognized through an adjustment to equity or through the retrospective application to all prior periods. The Company adopted this Statement on January 1, 2008. The adoption of the Issue did not have a material effect on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 allows companies to elect fair-value measurement of specified financial instruments and warranty and insurance contracts when an eligible asset or liability is initially recognized or when an event, such as a business combination triggers new basis of accounting for that asset or liability. The election, called the fair-value option, will enable some companies to reduce the volatility in reported earnings caused by measuring related assets and liabilities differently. The election is available for eligible assets or liabilities on a contract-by-contract basis without electing it for identical assets or liabilities under certain restrictions. The Company adopted this Statement on January 1, 2008. The adoption of the Statement did not have a material effect on our consolidated financial statements.

In November 2007, the SEC staff issued Staff Accounting Bulletin (SAB) No. 109, *Written Loan Commitment Recorded at Fair Value Through Earnings*. This SAB supersedes SAB 105 and expresses the current view that, consistent with the guidance in Statement of Financial Accounting Standards No. 156, Accounting for Servicing of Financial Assets, and Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, the expected net future cash flows related to the associated servicing of the loan should be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. For calendar year companies, this SAB is effective January 1, 2008. The adoption of SAB 109 did not have a material effect on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised), *Business Combinations*. The Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting be used for business combinations, but broadens the scope of Statement 141 and contains improvements to the application of this method. The Statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date. Costs incurred to effect the acquisition are to be recognized separately from the acquisition. Assets and liabilities arising from contractual contingencies and contingent considerations must be measured at fair value as of the acquisition date. The Statement also changes the accounting for negative goodwill arising from a bargain purchase, requiring recognition in earnings instead of allocation to assets acquired. For calendar year companies, this Statement is applicable to business combinations occurring after January 1, 2009.

Also in December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*. This statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51 s consolidation procedures for consistency with the requirements of FASB Statement No. 141 (revised 2007), Business Combinations. For calendar year companies, this Statement is effective January 1, 2009. We do not expect that adoption of the Statement will have a material effect on our consolidated financial statements.

EFFECTS ON INFLATION

Our consolidated financial statements and accompanying footnotes have been prepared in accordance with U.S. generally accepted accounting principles, which generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation can be found in the increased cost of our operations because our assets and liabilities are primarily monetary and interest rates have a greater impact on our performance than do the effects of inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our assets and liabilities are principally financial in nature and the resulting net interest income thereon is subject to changes in market interest rates and the mix of various assets and liabilities. Interest rates in the financial markets affect our decision on pricing our assets and liabilities which impacts our net interest income, a significant cash flow source for us. As a result, a substantial portion of our risk management activities relates to managing interest rate risk.

Our Asset/Liability Management Committee monitors the interest rate sensitivity of our balance sheet using earnings simulation models and interest sensitivity GAP analysis. We have set policy limits of interest rate risk to be assumed in the normal course of business and monitor such limits through our simulation process.

In the past, we have been successful in meeting the interest rate sensitivity objectives set forth in our policy. Simulation models are prepared to determine the impact on net interest income for the coming twelve months, including using rates at December 31, 2007, and forecasting volumes for the twelve month projection. This position is then subjected to a shift in interest rates of 100 and 200 basis points rising and 100 and 200 basis points falling with an impact to our net interest income on a one year horizon as follows:

Scenario		$000 s change in net interest income	% of net interest income
100 basis point rising	$	92	0.5%
200 basis point rising	$	85	0.5%
100 basis point falling	$	(264)	(1.4)%
200 basis point falling	$	(451)	(2.4)%

ASSET/LIABILITY MANAGEMENT

Interest rate gap analysis is a common, though imperfect, measure of interest rate risk which measures the relative dollar amounts of interest-earning assets and interest bearing liabilities which reprice within a specific time period, either through maturity or rate adjustment. The gap is the difference between the amounts of such assets and liabilities that are subject to such repricing. A positive gap for a given period means that the amount of interest-earning assets maturing or otherwise repricing within that period exceeds the amount of interest-bearing liabilities maturing or otherwise repricing during that same period. In a rising interest rate environment, an institution with a positive gap would generally be expected, absent the effects of other factors, to experience a greater increase in the yield of its assets relative to the cost of its liabilities. Conversely, the cost of funds for an institution with a positive gap would generally be expected to decline less quickly than the yield on its assets in a falling interest rate environment. Changes in interest rates generally have the opposite effect on an institution with a negative gap.

Following is our static gap schedule. One-to-four family and consumer loans included prepayment assumptions, while all other loans assume no prepayments. The mortgage-backed securities included published prepayment assumptions, while all other investments assume no prepayments.

Certificates of deposit reflect contractual maturities only. Money market accounts are rate sensitive and accordingly, a higher percentage of the accounts have been included as repricing immediately in the first period. Savings and NOW accounts are not as rate sensitive as money market accounts and for that reason a significant percentage of the accounts are reflected in the more than 1 to 5 years category.

We have been successful in meeting the interest sensitivity objectives set forth in our policy. This has been accomplished primarily by managing the assets and liabilities while maintaining our traditional high credit standards.

INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES REPRICING

SCHEDULE (GAP TABLE)

As of December 31, 2007

	3 months or less	More than 3 to 12 months	More than 1 to 5 years	Over 5 years	Total
			(Dollars in thousands)		
Interest-earning assets:					
Investment securities	$ 23,199	$ 20,554	$ 59,867	$ 61,104	$ 164,724
Loans	89,789	154,753	124,559	8,779	377,880
Total interest-earning assets	112,988	175,307	184,426	69,883	542,604
Interest-bearing liabilities:					
Certificates of deposit	72,898	133,075	29,947	284	236,204
Money market and NOW accounts	19,538		120,019		139,557
Savings accounts	5,177		20,706		25,883
Borrowed money	52,171	2,027	33,182	5,708	93,088
Total interest-bearing liabilities	176,203	135,102	228,443	5,992	545,740
Interest sensitivity gap per period	(36,796)	40,205	(19,428)	63,891	47,872
Cumulative interest sensitivity gap	(36,796)	3,409	(16,019)	47,872	
Cumulative gap as a percent of total interest-earning assets	(6.8)%	0.6%	(3.0)%	8.8%	
Cumulative interest sensitive assets as a percent of cumulative interest sensitive liabilities	75.4%	101.2%	96.7%	109.7%	

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Forward-Looking Statements

This document (including information incorporated by reference) contains, and future oral and written statements by us and our management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to our financial condition, results of operations, plans, objectives, future performance and business. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of our management and on information currently available to management, are generally identifiable by the use of words such as believe, expect, anticipate, plan, intend, estimate, may, will, would, could, should expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and we undertake no obligation to update any statement in light of new information or future events.

Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on operations and future prospects by us and our subsidiaries include, but are not limited to, the following:

- The strength of the United States economy in general and the strength of the local economies in which we conduct our operations which may be less favorable than expected and may result in, among other things, a deterioration in the credit quality and value of our assets.
- The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, insurance and monetary and financial matters.
- The effects of changes in interest rates (including the effects of changes in the rate of prepayments of our assets) and the policies of the Board of Governors of the Federal Reserve System.
- Our ability to compete with other financial institutions as effectively as we currently intend due to increases in competitive pressures in the financial services sector.
- Our inability to obtain new customers and to retain existing customers.
- The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the Internet.
- Technological changes implemented by us and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to us and our customers.
- Our ability to develop and maintain secure and reliable electronic systems.
- Our ability to retain key executives and employees and the difficulty that we may experience in replacing key executives and employees in an effective manner.
- Consumer spending and saving habits which may change in a manner that affects our business adversely.
- Our ability to successfully integrate acquired businesses.

- The costs, effects and outcomes of existing or future litigation.

- Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board.

- The economic impact of past and any future terrorist attacks, acts of war or threats thereof, and the response of the United States to any such threats and attacks.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning us and our business, including other factors that could materially affect our financial results is included in the Risk Factors section.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

REPORT OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

The Board of Directors
Landmark Bancorp, Inc.:

We have audited the accompanying consolidated balance sheets of Landmark Bancorp, Inc. and subsidiary (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of earnings, stockholders equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Kansas City, Missouri
March 14, 2008

LANDMARK BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

	December 31, 2007	December 31, 2006
Assets		
Cash and cash equivalents	$ 14,739,148	$ 14,751,914
Investment securities:		
Available-for-sale, at fair value	155,879,231	137,395,718
Other securities	8,844,950	8,488,450
Loans, net	376,156,608	379,323,581
Loans held for sale	1,723,687	1,364,474
Premises and equipment, net	14,259,172	13,767,075
Goodwill	12,894,167	13,009,167
Other intangible assets, net	3,144,001	4,030,709
Bank owned life insurance	11,634,535	11,144,796
Accrued interest and other assets	7,179,224	7,292,352
Total assets	$ 606,454,723	$ 590,568,236
Liabilities and Stockholders Equity		
Liabilities:		
Deposits:		
Non-interest bearing demand	$ 51,007,859	$ 48,397,528
Money market and NOW	139,557,359	137,304,086
Savings	25,882,935	27,702,896
Time, $100,000 and greater	58,980,552	57,558,624
Time, other	177,223,601	173,522,236
Total deposits	452,652,306	444,485,370
Federal Home Loan Bank borrowings	69,026,525	61,920,421
Other borrowings	24,061,554	28,495,643
Accrued interest, taxes, and other liabilities	8,418,200	6,430,787
Total liabilities	554,158,585	541,332,221
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.01 par. Authorized 200,000 shares; none issued		
Common stock, $0.01 par. Authorized 5,000,000 shares; issued 2,409,125 and 2,341,744, at December 31, 2007 and 2006, respectively	24,091	23,417
Additional paid-in capital	24,304,144	22,607,510
Retained earnings	27,493,281	26,758,056
Treasury stock, at cost; 7,763 and 5,000 shares at December 31, 2007 and 2006, respectively	(205,894)	(138,506)
Accumulated other comprehensive income (loss)	680,516	(14,462)
Total stockholders equity	52,296,138	49,236,015
Total liabilities and stockholders equity	$ 606,454,723	$ 590,568,236

See accompanying notes to consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Earnings

	Years ended December 31, 2007	2006	2005
Interest income:			
Loans:			
Taxable	$ 28,315,686	$ 28,183,639	$ 17,182,314
Tax-exempt	149,121	110,302	111,872
Investment securities:			
Taxable	4,675,107	4,450,838	3,901,671
Tax-exempt	2,345,112	1,511,226	818,595
Other	66,063	138,436	110,163
Total interest income	35,551,089	34,394,441	22,124,615
Interest expense:			
Deposits	13,505,636	10,947,064	5,571,410
Borrowings	4,362,576	4,691,820	3,385,864
Total interest expense	17,868,212	15,638,884	8,957,274
Net interest income	17,682,877	18,755,557	13,167,341
Provision for loan losses	255,000	235,000	385,000
Net interest income after provision for loan losses	17,427,877	18,520,557	12,782,341
Non-interest income:			
Fees and service charges	4,004,770	4,310,495	3,397,050
Gains on sales of loans	955,289	1,140,511	638,780
Gains (losses) on sales of investment securities		(300,256)	46,865
Gains on sales of other assets and prepayment of FHLB borrowings		716,815	423,959
Bank owned life insurance	473,682	397,720	89,873
Other	481,893	647,862	459,534
Total non-interest income	5,915,634	6,913,147	5,056,061
Non-interest expense:			
Compensation and benefits	8,226,676	8,725,051	6,120,365
Occupancy and equipment	2,860,629	2,822,695	2,010,875
Amortization of intangibles	915,503	1,029,424	449,460
Data processing	751,010	724,542	542,780
Professional fees	437,335	497,972	322,587
Advertising	415,020	433,997	401,701
Other	3,032,191	3,110,927	2,434,553
Total non-interest expense	16,638,364	17,344,608	12,282,321
Earnings before income taxes	6,705,147	8,089,096	5,556,081
Income tax expense	1,303,083	2,079,455	1,658,917
Net earnings	$ 5,402,064	$ 6,009,641	$ 3,897,164
Earnings per share:			
Basic	$ 2.22	$ 2.45	$ 1.59
Diluted	$ 2.20	$ 2.44	$ 1.58

See accompanying notes to consolidated financial statements.

45

LANDMARK BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Stockholders Equity and Comprehensive Income

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2004	$ 22,322	$ 19,969,551	$ 25,228,826	$ (3,205,823)	$ 154,101	$ 42,168,977
Comprehensive income:						
Net income			3,897,164			3,897,164
Change in fair value of investment securities available-for-sale and interest-rate swap, net of tax					(880,009)	(880,009)
Total comprehensive income			3,897,164		(880,009)	3,017,155
Dividends paid ($0.59 per share)			(1,444,252)			(1,444,252)
Stock based compensation		97,826				97,826
Exercise of stock options, 12,109 shares, including tax benefit of $37,344	121	233,311				233,432
Purchase of 18 treasury shares				(531)		(531)
5% stock dividend, 105,912 shares		(432,121)	(2,359,719)	2,791,840		
Balance at December 31, 2005	22,443	19,868,567	25,322,019	(414,514)	(725,908)	44,072,607
Comprehensive income:						
Net income			6,009,641			6,009,641
Change in fair value of investment securities available-for-sale and interest-rate swap, net of tax					711,446	711,446
Total comprehensive income			6,009,641		711,446	6,721,087
Dividends paid ($0.63 per share)			(1,566,656)			(1,566,656)
Stock based compensation		113,593				113,593
Exercise of stock options, 1,867 shares, including tax benefit of $6,999	19	33,871				33,890
Purchase of 5,000 treasury shares				(138,506)		(138,506)
5% stock dividend, 111,286 shares	955	2,591,479	(3,006,948)	414,514		
Balance at December 31, 2006	23,417	22,607,510	26,758,056	(138,506)	(14,462)	49,236,015
Comprehensive income:						
Net income			5,402,064			5,402,064
Change in fair value of investment securities available-for-sale, net of tax					694,978	694,978
Total comprehensive income			5,402,064		694,978	6,097,042
Dividends paid ($0.72 per share)			(1,768,105)			(1,768,105)
Stock based compensation		118,313				118,313
Exercise of stock options, 2,374 shares, including tax benefit of $7,543	24	48,637				48,661
				(1,435,788)		(1,435,788)

Purchase of 52,240 treasury shares						
5% stock dividend, 114,484 shares	650	1,529,684	(2,898,734)	1,368,400		
Balance at December 31, 2007	$ 24,091	$ 24,304,144	$ 27,493,281	$ (205,894)	$ 680,516	$ 52,296,138

See accompanying notes to consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Years ended December 31, 2007	2006	2005
Cash flows from operating activities:			
Net earnings	$ 5,402,064	$ 6,009,641	$ 3,897,164
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Provision for loan losses	255,000	235,000	385,000
Amortization of intangibles	915,503	1,029,424	449,460
Depreciation	882,825	854,870	700,789
Stock-based compensation	118,313	113,593	97,826
Deferred income taxes	114,408	1,632,422	879,613
Net gains on sales of investments, premises and equipment and foreclosed assets	(64,651)	(484,106)	(113,032)
Net gain on sales of loans	(955,289)	(1,140,511)	(638,780)
Proceeds from sale of loans	59,436,855	65,404,161	34,325,244
Origination of loans held for sale	(58,840,779)	(64,464,913)	(34,003,672)
Gains on prepayments of FHLB borrowings			(406,572)
Changes in assets and liabilities:			
Accrued interest and other assets	(941,024)	(9,311,653)	(1,523,646)
Accrued expenses, taxes, and other liabilities	1,447,050	(1,498,088)	1,773,946
Net cash provided by (used in) operating activities	7,770,275	(1,620,160)	5,823,340
Cash flows from investing activities:			
Net decrease in loans	2,379,082	3,289,992	1,553,190
Maturities and prepayments of investment securities	16,489,910	38,865,258	46,035,450
Net cash received in branch acquisitions			30,410,720
Net cash paid in FMB acquisition		(9,147,605)	
Purchases of investment securities	(34,279,644)	(50,825,131)	(54,933,641)
Proceeds from sale of investment securities		17,943,322	160,235
Proceeds from sales of premises and equipment and foreclosed assets	402,777	2,334,542	445,467
Purchases of premises and equipment, net	(1,517,680)	(3,207,482)	(1,921,843)
Net cash (used in) provided by investing activities	(16,525,555)	(747,104)	21,749,578
Cash flows from financing activities:			
Net increase (decrease) in deposits	8,268,603	6,490,795	(4,867,797)
Federal Home Loan Bank advance borrowings			8,000,000
Federal Home Loan Bank advance repayments	(3,036,768)	(5,536,768)	(20,876,696)
Federal Home Loan Bank line of credit, net	11,100,000	(3,400,000)	(3,500,000)
Proceeds from other borrowings	4,310,000	12,240,984	11,998,000
Repayments on other borrowings	(8,744,089)	(12,495,073)	(3,470,000)
Proceeds from issuance of common stock under stock option plans	41,118	26,891	196,088
Net tax benefit related to stock option plans	7,543	6,999	37,344
Payment of dividends	(1,768,105)	(1,566,656)	(1,444,252)
Purchase of treasury stock	(1,435,788)	(138,506)	(531)
Net cash provided by (used in) financing activities	8,742,514	(4,371,334)	(13,927,844)
Net (decrease) increase in cash and cash equivalents	(12,766)	(6,738,598)	13,645,074
Cash and cash equivalents at beginning of year	14,751,914	21,490,512	7,845,438
Cash and cash equivalents at end of year	$ 14,739,148	$ 14,751,914	$ 21,490,512
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes	553,000	896,000	
Cash paid during the year for interest	17,946,000	14,553,000	8,583,000
Supplemental schedule of noncash investing and financing activities:			
Transfer of loans to real estate owned	368,000	293,000	649,000
Branch acquisitions:			

Fair value of liabilities assumed		33,299,000
Fair value of assets acquired		2,888,000
FMB acquisition:		
Fair value of liabilities assumed	123,965,000	
Fair value of assets acquired, including goodwill	133,112,000	

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Landmark Bancorp, Inc. (the Company) and its wholly owned subsidiary, Landmark National Bank (the Bank). All intercompany balances and transactions have been eliminated in consolidation. The Bank, considered a single operating segment, is principally engaged in the business of attracting deposits from the general public and using such deposits, together with borrowings and other funds, to originate commercial real estate and non-real estate loans, one-to-four family residential mortgage loans, consumer loans, and home equity loans.

(b) Investment Securities

The Company has classified its investment securities portfolio as available-for-sale, with the exception of certain investments held for regulatory purposes. Available-for-sale securities are recorded at fair value, determined principally based on quoted market prices, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders equity until realized. Purchased premiums and discounts on investment securities are amortized/accreted into interest income over the estimated lives of the securities using the interest method. Declines in the fair value of individual securities below their cost that are deemed to be other than temporary result in write-downs of individual securities to their estimated fair value, and a new cost basis is established. Any such write-downs are included as a component of earnings as realized losses. Gains and losses on sales of available-for-sale securities are recorded on a trade date basis and are calculated using the specific identification method.

Other investments included in the Company s investment portfolio are investments acquired for regulatory purposes and borrowing availability and are accounted for at cost. The cost of such investments represents their redemption value as such investments do not have a readily determinable market value.

(c) Loans and Allowance for Loan Losses

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances, net of undisbursed loan proceeds, the allowance for loan losses, and any deferred fees or costs on originated loans. Origination fees received on loans held in portfolio and the estimated costs of origination are deferred and amortized to interest income using the interest method.

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value, determined on an aggregate basis. Net unrealized losses are recognized through a valuation allowance as charges against income. Origination fees and costs received on such loans are deferred and recognized as a component of the gain or loss on sale.

The Company maintains an allowance to absorb probable loan losses inherent in the portfolio. The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management s periodic evaluation of the adequacy of the allowance is based on the Bank s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, the current level of nonperforming assets, and current economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining if a loan is impaired include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial, commercial real estate and construction loans by either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of homogeneous loans with smaller individual balances are collectively evaluated for impairment. Accordingly, the Company generally does not separately identify individual consumer and residential loans for impairment disclosures.

The accrual of interest on nonperforming loans is discontinued at the time the loan is ninety days delinquent, unless the credit is well-secured and in process of collection. Loans are placed on non-accrual or are charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are evaluated individually and are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(d) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 - 50 years
Furniture, fixtures, and equipment	3 - 15 years
Automobiles	2 - 5 years

Major replacements and betterments are capitalized while maintenance and repairs are charged to expense when incurred. Gains or losses on dispositions are reflected in operations as incurred.

(e) Goodwill and Intangible Assets

Goodwill is not amortized; however, it is tested for impairment. Goodwill impairment tests are performed at each calendar year end or more frequently when events or circumstances dictate. The Company s impairment test performed as of December 31, 2007 indicated that goodwill as of that date was not impaired.

Intangible assets include core deposit intangibles and mortgage servicing rights. Core deposit intangible assets are amortized over their estimated useful life of ten years on an accelerated basis. When facts and circumstances indicate potential impairment, the Company will evaluate the recoverability of the intangible asset carrying value, using estimates of undiscounted future cash flows over the remaining asset life. Any impairment loss is measured by the excess of carrying value over fair value. Mortgage servicing assets are recognized as separate assets when rights are acquired through the sale of financial assets, primarily one-to-four family real estate loans. Mortgage servicing rights are amortized into non-interest expense in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are recorded at the lower of amortized cost or fair value, and are evaluated for impairment based upon the fair value of the retained rights as compared to amortized cost.

(f) Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity s financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in financial statements or tax returns. The Company adopted FIN 48, on January 1, 2007, in which an income tax position will be recognized only if it is more likely than not that it will be sustained upon IRS examination, based upon its technical merits. Once that status is met, the amount recorded will be the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Changes in estimates regarding the actual outcome of these future tax consequences, including the effects of IRS examinations and examinations by other state agencies, could materially impact our financial position and results of operations.

(g) Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Comprehensive Income

The Company s other comprehensive income (loss) consists of unrealized holding gains and losses on available-for-sale securities and an unrealized gain on an interest rate swap (terminated in 2006) as shown below:

	Years ended December 31, 2007	2006	2005
Unrealized holding gains (losses) on securities and interest rate swap	$ 1,120,932	$ 952,255	$ (1,372,504)
Less reclassification adjustment for gains (losses) included in income		(195,239)	46,865
Net unrealized gains (losses)	1,120,932	1,147,494	(1,419,369)
Income tax expense (benefit)	425,954	436,048	(539,360)
Other comprehensive income (loss)	$ 694,978	$ 711,446	$ (880,009)

Accumulated other comprehensive income related entirely to available-for-sale investment securities at December 31, 2007 and 2006.

(i) Foreclosed Assets

Assets acquired through, or in lieu of, foreclosure are to be sold and are initially recorded at the date of foreclosure at fair value through a gain or a charge to the allowance for loan losses, establishing a new cost basis. Subsequent to foreclosure, the Company records a charge to operations if the carrying value of a property exceeds the fair value less estimated costs to sell. Revenue and expenses from operations and subsequent declines in fair value are included in other non-interest expense in the statement of earnings.

(j) Stock Based Compensation

The Company has a stock-based employee compensation plan, which is described more fully in note 11. Prior to January 1, 2006, the Company utilized the fair value recognition provisions of Statement of Financial Accounting Standard (SFAS) Statement No. 123, *Accounting for Stock-Based Compensation*. SFAS 123 established a fair-value method of accounting for employee stock options or similar equity instruments. In December 2004, The Financial Accounting Standards Board issued SFAS No. 123(R), *Shared-Based Payment*. The revision retains the provisions of fair value recognition in SFAS 123, however also contains additional guidance in several areas including award modifications and forfeitures, measuring fair value, classifying an award as equity or as a liability, and attributing compensation cost to reporting periods. It also contains additional disclosure requirements. The Company s adoption of the revised Statement on January 1, 2006 using the modified prospective method of adoption, was limited to a change in the method of accounting for forfeitures, and did not have a material effect on its consolidated financial statements.

The fair value of stock options awarded to employees is calculated through the use of an option pricing model, which requires subjective assumptions, including future stock price volatility and expected term, which greatly affect the calculated values. The Company uses the Black-Scholes option pricing model to estimate the grant date fair value of its stock options. The grant date fair value is recognized as compensation expense over the option vesting period, on a straight-line basis, which is typically four or five years.

(k) Earnings per Share

Basic earnings per share represents net earnings divided by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method using the average market price of the Company s stock for the respective periods.

The shares used in the calculation of basic and diluted earnings per share, which have been adjusted to give effect for the 5% stock dividends paid by the Company in December 2007, 2006, and 2005, are shown below:

	Years ended December 31,		
	2007	**2006**	**2005**
Net earnings available to common shareholders	$ 5,402,064	$ 6,009,641	$ 3,897,164
Weighted average common shares outstanding - basic	2,431,881	2,454,683	2,448,630
Assumed exercise of stock options	18,100	12,251	10,252
Weighted average common shares outstanding - diluted	2,449,981	2,466,934	2,458,882
Net earnings per share			
Basic	$ 2.22	$ 2.45	$ 1.59
Diluted	$ 2.20	$ 2.44	$ 1.58

(l) Treasury Stock

Purchases of the Company s common stock are recorded at cost. Upon reissuance, treasury stock is reduced based upon the average cost basis of total shares held.

(m) Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold as segregated in the accompanying consolidated balance sheets.

(n) Derivative Financial Instruments

The Company is exposed to market risk, primarily relating to changes in interest rates. To manage the volatility relating to these exposures, the Company s risk management policies permit its use of derivative instruments. The Company uses derivatives on a limited basis mainly to stabilize interest rate margins. The Company more often manages normal asset and liability positions by altering the terms of the products it offers.

Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, requires that all derivative financial instruments be recorded on the balance sheet at fair value, with adjustments to fair value recorded in current earnings. Derivatives that qualify in a hedging relationship are designated, based on the exposure being hedged, as fair value or cash flow hedges. Under the cash flow hedging model, the effective portion of the change in the gain or loss related to the derivative is recognized as a component of other comprehensive income, net of taxes. The ineffective portion is recognized in current earnings. The Company had no derivative financial instruments designated as hedging instruments as of December 31, 2007 and 2006.

The Company enters into interest rate lock commitments on certain mortgage loans, which are commitments to originate loans whereby the interest rate on the loan is determined prior to funding. The Company also has corresponding forward sales contracts related to these interest rate lock commitments. Both the mortgage loan commitments and the related forward sales contracts are accounted for as derivatives and carried at fair value with changes in fair value recorded in income.

(2) Goodwill and Intangible Assets

The Company s goodwill and core deposit intangible assets resulted from the acquisition of MNB Bancshares, Inc. (MNB) by Landmark Bancorp, Inc. on October 9, 2001, the acquisition of First Kansas Financial Corporation (First Kansas) on April 1, 2004, the purchase of two branch locations in Great Bend, Kansas on August 19, 2005, and from the acquisition of First Manhattan Bancorporation, Inc. (FMB) on January 1, 2006. Goodwill was reduced by $115,000 in 2007 due to the statute of limitations expiring on certain tax uncertainties acquired from these acquisitions.

The following is an analysis of the changes in core deposit intangible assets:

	Years ended December 31,					
	2007		2006		2005	
	Fair value at acquisition	Accumulated amortization	Fair value at acquisition	Accumulated amortization	Fair value at acquisition	Accumulated amortization
Balance at beginning of period	$ 5,396,065	$ (1,667,478)	$ 2,818,603	$ (774,589)	$ 1,385,000	$ (491,501)
Additions			2,577,462		1,433,603	
Amortization		(794,778)		(892,889)		(283,088)
Balance at end of period	$ 5,396,065	$ (2,462,256)	$ 5,396,065	$ (1,667,478)	$ 2,818,603	$ (774,589)

The following is an analysis of the changes in mortgage servicing rights:

	Years ended December 31,					
	2007		2006		2005	
	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Accumulated amortization
Balance at beginning of period	$ 791,840	$ (489,718)	$ 775,666	$ (401,467)	$ 766,891	$ (320,559)
Additions	28,795		64,458		94,239	
Prepayments/maturities						