



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Peoples National Bank and Trust Company of Burlington
Charter Number 3170**

**201 South 4th Street
P.O. Box 185
Burlington, Kansas 66839**

**Office of the Comptroller of the Currency
Kansas City Duty Station
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1200**

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The Peoples National Bank and Trust Company of Burlington prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of April 18, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: "Satisfactory record of meeting community credit needs"

The innovativeness of PNB's loan programs to meet the credit needs of low- and moderate-income persons and small businesses compensates for its loan-to-deposit ratio. The bank's distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of The Peoples National Bank and Trust Company of Burlington with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | THE PEOPLES NATIONAL BANK AND TRUST COMPANY OF BURLINGTON PERFORMANCE LEVELS | | |
|--|---|--|--|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does Not Meet Standards for Satisfactory Performance |
| Loan-to- Deposit Ratio | | X | |
| Lending in Assessment Area | X | | |
| Lending to Borrowers of Different Incomes and to Businesses of Different Sizes | | X | |
| Geographic Distribution of Loans | Analysis is not meaningful. | | |
| Response to Complaints | No complaints were received since the prior examination. | | |

DESCRIPTION OF INSTITUTION

The Peoples National Bank & Trust Company (PNB) is a \$55 million bank located in Burlington, Kansas. The bank is owned by Rock Creek Bancshares, Inc., a one-bank holding company. The bank has one branch and two ATMs which are all located in Burlington. The bank's primary lending focus is residential, industrial/commercial, and consumer lending. As of December 31, 1996, the bank's loan portfolio totaled \$13 million and consisted of 34% 1-4 family residential, 20% industrial, 16% commercial real estate, 9% consumer installment, 6% agriculture production, 6% farmland, and 9% other.

PNB faces strong competition. The bank is one of five similarly-sized community banks in Coffey County. Also, a large credit union at the Wolf Creek Nuclear Power Plant and the branches of two savings banks provide additional competition within the bank's assessment area. There are no other factors or legal impediments, including the financial condition of the bank, which hinders its ability to fulfill its CRA obligation. At the July 7, 1994 examination, the OCC assigned the bank a rating of "Satisfactory record of meeting community credit needs."

DESCRIPTION OF ASSESSMENT AREA

PNB's assessment area (AA) is composed of the three block numbering areas (BNAs) in Coffey County, Kansas. These BNAs are identified as 9961, 9962, and 9963. All three BNAs are designated as middle income. The updated statewide nonmetropolitan median family income for Kansas is \$34,300. Based on 1990 census data, the bank's AA has a population of 8,404 persons and approximately 2,396 families. The AA's family breakdown by income levels is 17% low income, 19% moderate income, 25% middle income, and 39% upper income. The bank's AA contains 3,712 housing units of which 68% are owner occupied and 20% are rented. The median housing value equals \$34,600.

Burlington is Coffey County's largest city with a population totaling 2,800. Burlington's economy is strong and diverse due to its close proximity to the Wolf Creek Nuclear Power Plant. The power plant is the county's largest employer with approximately 1,000 people on its payroll. Burlington has a mix of retail, service, and industrial businesses. In communities outside of Burlington, agriculture is the predominant industry within Coffey County. Management stated the businesses within Burlington are predominantly small retail and service companies with revenues below \$500 thousand, and large manufacturers, auto dealers, and energy suppliers with revenues exceeding \$1 million.

In addition to the one community contact made by our agency, a community contact was provided to us by Federal Deposit Insurance Corporation (FDIC) examiners. Both contacts identified additional housing and retail businesses as the county's primary needs. The FDIC contact suggested banks could participate in meeting the housing need through financing speculative residential construction, and participating or developing first time home buyer programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

PNB's average loan-to-deposit ratio is less than reasonable given its size and financial condition. However, the innovativeness of the bank's loan programs to meet the credit needs of low- and moderate-income persons and small businesses compensates for its loan-to-deposit ratio.

Although PNB is the largest in total assets when compared to four similarly-sized community banks serving Coffey county, the bank's average quarterly loan-to-deposit ratio ranked the lowest at 35% for the period of September 30, 1994 to December 31, 1996. The following table provides comparative information for PNB and the four similarly-sized community banks serving Coffey county.

| <i>Bank Name</i> | <i>Total Assets 12-31-96</i> | <i>Loan-to-Deposit 12-31-96</i> | <i>Average Loan-to-Deposit</i> |
|--|----------------------------------|-------------------------------------|------------------------------------|
| PNB, Burlington, Ks. | \$55 million | 27.10 | 34.78 |
| The Citizens State Bank, Gridley, Ks. | \$43 million | 56.38 | 70.49 |
| First National Bank of Kansas Burlington, Ks. | \$38 million | 45.58 | 64.85 |
| First National Bank, Leroy, Ks. | \$17 million | 71.04 | 71.57 |
| The State Bank of Lebo, Lebo, Ks. | \$20 million | 64.24 | 66.22 |

Management asserts the bank's loan-to-deposit ratio must be viewed in regards to its very large municipal deposits. Local municipalities derive substantial tax revenues from the Wolf Creek Nuclear Power Plant. Municipal deposits often reach \$20 million and compose more than 35% of the bank's total deposits. Management stated these funds are not available for lending because the municipalities deposit the funds for generally six months or less. If adjusted for municipal deposits, PNB's average loan-to-deposit ratio would increase to 45% which is still the lowest among its competitors. The bank's competitors are also impacted by large municipal deposits.

The bank actively makes credit available to low- and moderate-income persons and small businesses by developing special programs or participating in government-sponsored programs. For example, the bank offers an "Affordable Housing Loan Program" which has 100% financing and higher debt/income qualifying ratios to make it easier for low-income and moderate-income persons to obtain loans for home purchase. Since the program's April 1995 inception, PNB has originated twelve affordable housing loans. The bank has originated seven loans under the Small Business Administration's guaranteed loan programs since our last examination.

Lending in Assessment Area

PNB makes a substantial majority of its loans within its assessment area (AA). For the fiscal periods of 1996 and 1995, the bank originated 95% and 90%, respectively, of its home purchase, home construction, home refinance, and home improvement loans within its AA.

Also for fiscal 1996, the bank originated 90% of its industrial and commercial real estate loans within its AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

PNB's distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Using all the bank's home construction, home purchase, home refinance, and home improvement loans originated within its AA, we identified the following loan distributions for fiscal years 1996 and 1995.

| <i>Fiscal Period</i> | <i>Income Designation of the Borrower</i> | <i>Home Loan Originations within assessment area</i> | | <i>Income Designation of families within assessment area</i> |
|----------------------|---|--|----------|--|
| | | <i>#</i> | <i>%</i> | <i>%</i> |
| 1996 | Low-income | 3 | 8% | 17% |
| | Moderate-income | 10 | 28% | 19% |
| | Middle-income | 7 | 19% | 25% |
| | Upper-income | 16 | 44% | 39% |
| | Totals | 36 | 100% | 100% |
| 1995 | Low-income | 2 | 11% | 17% |
| | Moderate-income | 4 | 21% | 19% |
| | Middle-income | 6 | 32% | 25% |
| | Upper-income | 7 | 37% | 39% |
| | Totals | 19 | 100% | 100% |

Based on a sample of 86 of the 123 industrial and commercial real estate loans originated within the bank's AA, we identified the following loan distribution for fiscal year 1996.

| <i>Gross Revenue Designation of the Borrower</i> | <i>Revenue Distribution of Industrial and Commercial Real Estate Loans Originated within the assessment area</i> | |
|--|--|--------------------|
| | <i># per sample</i> | <i>% of sample</i> |
| < \$500,000 | 36 | 42% |
| \$500,000-\$1,000,000 | 3 | 3% |
| >\$1,000,000 | 47 | 55% |
| Totals | 86 | 100% |

Limited lending activity to borrowers with gross revenues between \$500,000 and \$1,000,000 is reasonable because there are few mid-size businesses within the bank's AA. See the above section "**Description of the Assessment Area.**"

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since all of the BNAs within PNB's AA are middle income.

Compliance with Antidiscrimination Laws and Regulations

PNB is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of

the bank's lending practices.