

# **PUBLIC DISCLOSURE**

**October 12, 1999**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Peoples Bank, N.A.  
Charter Number 22010  
101 East Main Street  
P.O. Box 727  
Coldwater, Kansas 67029**

**Office of the Comptroller of the Currency  
South Kansas Field Office  
3450 North Rock Road, Suite 505  
Wichita, Kansas 67226**

**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 Community Reinvestment Act (CRA) performance of **Peoples Bank National Association**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 12, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **ASatisfactory.**@

The bank has a satisfactory record of meeting the credit needs of its assessment area.

- < The bank's loan to deposit ratio is good. The bank's quarterly average loan to deposit ratio of 65% since the last CRA examination exceeds the peer quarterly average of 43%.
- < The number and volume of loans originated in the assessment area is good. Eighty-seven percent of the number and eighty-six percent of the volume of loans sampled were within the bank's assessment area.
- < Lending to borrowers of different income levels is satisfactory. A sample of residential real estate loans indicated 36% were granted to moderate-income individuals.
- < Lending to agricultural borrowers of different sizes is adequate. A sample of agricultural loan originations indicated 48% were advanced to borrowers with gross revenues of less than \$100,000.

## DESCRIPTION OF INSTITUTION

Peoples Bank, N.A. (Peoples Bank) is a \$29 million financial institution located in the city of Coldwater, Kansas. Peoples Bank is one of two financial institutions in Coldwater. The bank has no branch locations or automated teller machines. Peoples Bank is a wholly-owned subsidiary of Stockgrowers Banc Corporation, a two-bank holding company located in Ashland, Kansas with assets of approximately \$118 million. Peoples Insurance Agency is the only subsidiary of Peoples Bank.

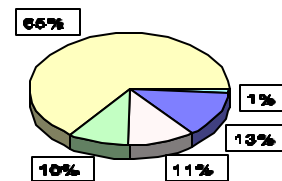
The bank is a full service financial institution, providing a variety of loan and deposit products with an emphasis on agricultural loans. Net loans represent 58%, or \$17.7 million, of the bank's total assets.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its Assessment Area (AA). At the previous CRA examination dated April 10, 1997, Peoples Bank received an "Outstanding record of Meeting Community Credit Needs" rating.

The table at the right illustrates the bank's loan distribution.

## Loan Distribution

6/30/99



## DESCRIPTION OF ASSESSMENT AREA

Peoples Bank is located in Comanche County in south central Kansas and is not in a Metropolitan Statistical Area. Comanche County, which the bank considers to be its AA, consists of block numbering area (BNA) 9676, a middle-income tract. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Bank management indicated the AA is primarily agricultural dependent. Other significant employers in the area include the school district, city and county governments, light manufacturing companies, and a nursing home. There are four commercial banks headquartered in the AA that provide reasonable competition. Management indicated the local economy for the area is fair with low unemployment. Prices for commodities continue to be below average, which has an adverse impact, but good crop yields have helped offset this the past two years.

The Kansas statewide nonmetropolitan median family income is \$38,700 for 1999. Based on 1990 census information, the population of the AA is 2,313. Twenty-one percent of families in the AA are considered low-income while 24 percent are moderate-income. Middle-income families also make up 24 percent of the AA while upper-income families comprise the remaining 31 percent. Households with income below the poverty level represent 17 percent of total households. Persons over sixty-five

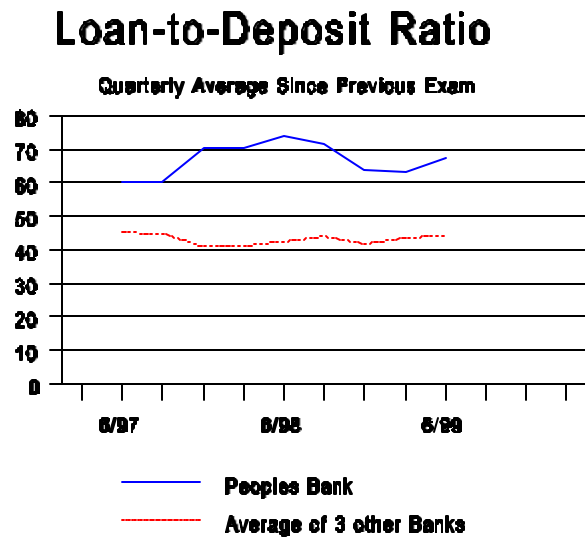
years of age make up 26 percent of the AA's population. The median housing cost for the AA is \$24,400 with 54 percent of the homes being owner occupied.

Three community contacts from the area did not identify any specific credit needs that were not being met. All contacts indicated that the local financial institutions participate and are involved in their respective communities.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### *Loan-to-Deposit Ratio*

The bank's level of lending is good considering the population demographics and loan demand in the area. Since the previous CRA examination the bank's quarterly average loan-to-deposit ratio was 65%. This is higher than the quarterly average loan-to-deposit ratio of 43% for the three other banks that are located, and provide competition, in the AA. The three other banks have quarterly average loan-to-deposit ratios ranging from 18% to 81% since the previous evaluation. The other financial institution in Coldwater falls between the high and low percentages with a quarterly average loan-to-deposit ratio of 31 percent.



### *Lending in Assessment Area*

Peoples Bank extends a majority of its loans within its AA. Examiners used the bank's internal zip code reports to determine that 95 percent of the number and 92 percent of the volume of all loans originated from the previous evaluation to October 1999 were in the AA. In addition, examiners used a judgmental loan sample of the bank's primary product line, which is agriculture, and a sample of residential real estate home purchase loans to determine the bank's lending performance in the AA. These samples were also taken from the previous evaluation to October 1999. From the samples of agriculture loans and home purchase loans reviewed, examiners determined that the bank's zip code reports are accurate. The results of these two samples were substantially similar to the bank's overall lending performance within the AA.

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

Lending to borrowers of different incomes and agricultural operations of different sizes is satisfactory. The bank's primary product line is agriculture. Examiners reviewed a judgmental sample of 23 agricultural loans granted in the AA from the previous evaluation to October 1999. Agriculture census data from 1997 shows that 68% of farms in the AA have annual gross revenues less than \$100,000. The percentage of the bank's loan originations to borrowers in the AA with annual gross revenues less than \$100,000 is adequate at 48%, but below the demographics. The following table shows the distribution.

<b>Agricultural Annual Gross Revenues</b>	<b>Number of Loans</b>	<b>Percentage</b>	<b>Demographics</b>
Less than \$100,000	13	48%	68%
\$100,000 to \$250,000	8	30%	32%
Greater than \$250,000	6	22%	
Total	27	100%	100%

The bank has a satisfactory record of granting 1-4 family residential real estate home purchase loans to borrowers of different income levels. Examiners reviewed a judgmental sample of fourteen 1-4 family residential real estate home purchase loans originated in the AA from the previous examination to October 1999. The bank's lending to low-income borrowers is adequate. The bank's lending to moderate-income borrowers is good. The following table shows the distribution.

<b>Distribution of 1-4 family Residential Real Estate Loans</b>			
<b>Income Levels</b>	<b>Number of Customers</b>	<b>Percentage of sample</b>	<b>Percentage of Families in Income Category</b>
Low	1	7%	21%
Moderate	4	29%	24%
Middle	4	29%	24%
Upper	5	35%	31%
Total	14	100%	100%

### ***Geographic Distribution of Loans***

An analysis of the bank's geographic distribution of loans would not be meaningful as the AA is located in a middle-income tract.

### ***Response to Complaints***

The bank has not received any CRA related complaints since the previous CRA evaluation.

### ***Investments***

The bank continues to be active in the Community Development Corporation (CDC). This is an organization created by Peoples Bank and the Bank of Protection. The CDC's purpose is to purchase dilapidated homes within the communities, refurbish them and sell them to low- or moderate-income families. Four properties have been purchased, refurbished, and sold since the creation of the CDC in 1996.

### ***Compliance with Anti-Discrimination Laws and Regulations***

Based on our review of used auto loans to individual male and female applicants, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices.