

PUBLIC DISCLOSURE

January 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples National Bank
Charter Number 3345**

**502 Lincoln Avenue
P.O. Box 514
Clay Center, Kansas 67432-0514**

**Office of the Comptroller of the Currency
Kansas City North Field Office
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1277**

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 National Bank (PNB)** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of January 4, 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 “**Satisfactory**”.

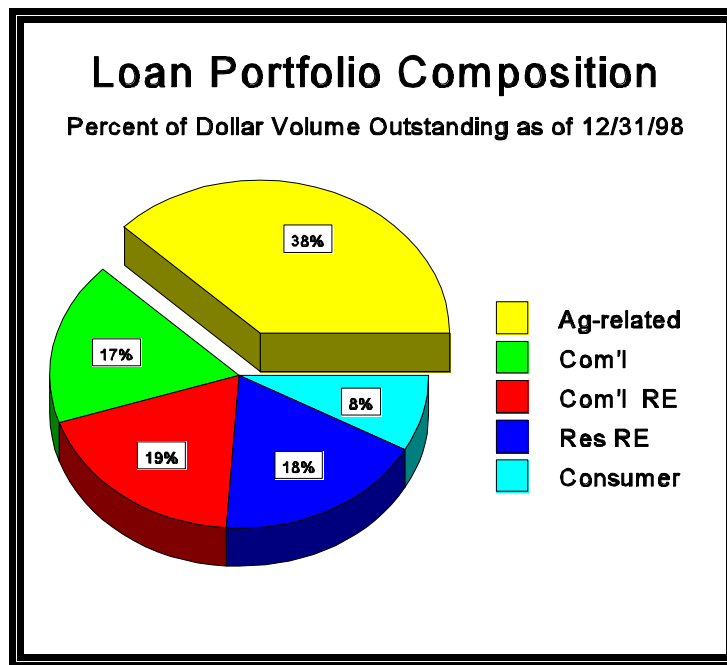
We based PNB’s CRA rating on the following primary factors:

- PNB’s record of lending to agricultural borrowers of different revenue levels is good. Approximately 82 percent of the agricultural borrowers in our loan sample had gross annual revenues of less than \$500 thousand. This compares acceptably to agricultural demographic information about the farms within the assessment area.
- The bank has a good record of lending to consumer borrowers of different income levels. Approximately 37 percent of the consumer borrowers in our sample are designated as low-income and 31 percent are moderate-income.
- The bank maintains a reasonable loan-to-deposit ratio. A majority of loan originations are extended to borrowers residing in the bank’s assessment area.

DESCRIPTION OF INSTITUTION

On October 31, 1998, Tri-County National Bank of Washington, Kansas merged into The Peoples National Bank of Clay Center. The resulting bank is titled Peoples National Bank (PNB). PNB is a \$124 million financial institution with its main office in Clay Center, Kansas and branches in Concordia (2), Linn, and Washington, Kansas. Each facility offers drive-up services. The main office in Clay Center also has a walk-up window. The bank has three 24-hour automated teller machines (ATMs) in Clay Center, one at the main office and two at retail establishments. PNB is a wholly-owned subsidiary of Gold Banc Corporation, Inc., a multi-bank holding company headquartered in Leawood, Kansas. The holding company had total assets of \$1.1 billion as of December 31, 1998.

As of December 31, 1998, net loans represent 56 percent of total assets. The bank offers a full range of credit products with its primary focus on agricultural loans. The composition of the bank's loan portfolio is depicted in the graph below. By dollar volume outstanding, agricultural-related loans represent the highest percentage of gross loans.



There are no legal impediments or financial factors that hamper the bank's ability to help meet the credit needs of its assessment area. PNB's last CRA Public Evaluation dated May 31, 1996 and the previous Tri-County National Bank Evaluation dated April 6, 1998 rated both banks as having a "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF ASSESSMENT AREA (AA)

PNB's assessment area meets the requirements of CRA and does not arbitrarily exclude low- or moderate-income areas. The bank's AA consists of the following Kansas counties: Clay, Cloud, and Washington. The bank operates in a highly competitive market. As of September 30, 1998, ten other financial institutions ranging from \$3 million to \$123 million in total assets were chartered in the AA. Several commercial and industrial employers in the area add diversification to the local agricultural economy. Nonfarm employment continues to increase. The majority of the businesses have four or fewer employees. Some of the major employers are the local school districts, F&A Food Sales, Inc., and Cloud County Community College. The table on the following page summarizes demographic data for the AA.

The total population of the assessment area based on 1990 U.S. Census information is 27,254. The assessment area is divided into eight block numbering areas (BNA) which include the following: 9581 and 9582 in Clay County; 9771, 9772, 9773, and 9774 in Cloud County; and 9786 and 9787 in Washington County. PNB's main office is located in BNA 9582. All of the BNA's are designated as middle-income tracts based on their respective family income levels. Based on 1990 U.S. Census data, the median housing value for the assessment area was \$25,805. The median year houses in the assessment area were built in 1944. Additional information regarding the bank's assessment area is included in the table on the following page.

The assessment area includes 7,657 families. Approximately 20 percent of the families are designated as low-income, 22 percent are moderate-income, 27 percent are middle-income, and 31 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1998 non-metropolitan updated median family income figure of \$38,200. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis.

We discussed community credit needs with a local realtor during our examination. We also relied on community contact information obtained from other regulators at previous CRA examinations in the area. These contacts included local officials and business owners. Primary credit needs of the assessment area include loans for agricultural purposes, middle-income housing, and home down payment assistance. There are limited opportunities to participate in community development projects in the AA.

DESCRIPTION OF ASSESSMENT AREA (continued)

1990 Demographic Information for PNB's Assessment Area (AA)					
Block Numbering Area (BNA)	Income Designation	Population of BNA	% of Owner-Occupied Housing	Median Housing Value	Median Family Income
9581 (Wakefield, Clifton)	Middle	4,271	64%	31,200	24,989
9582 (Clay Center)	Middle	4,887	65%	33,100	26,962
9771 (Clyde, Miltonvale)	Middle	2,774	67%	17,300	23,407
9772 (Concordia)	Middle	2,830	64%	30,700	26,199
9773 (Concordia)	Middle	3,700	56%	33,300	26,612
9774 (Glasco, Jamestown)	Middle	1,719	66%	14,999	25,033
9786 (Washington)	Middle	3,944	67%	16,900	23,302
9787 (Linn, Greenleaf, Clifton, Barnes)	Middle	3,129	67%	20,100	25,037
AA Totals		27,254	64%	25,805	25,260

There are no designated low-income BNA's within the bank's assessment area. The median housing value is low, and the percentage of households below the poverty level is high at 15 percent.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels

PNB’s level of lending to agricultural and consumer borrowers within its AA is good. We did not perform a revenue analysis for commercial borrowers because agricultural and consumer credits represent the bank’s primary product lines since the last CRA Performance Evaluation (PE) dated May 31, 1996. The bank’s record of lending to agricultural and consumer borrowers is discussed below.

Agricultural Lending:

PNB has a good record of lending to small farms within its assessment area. We reviewed the revenue distribution of 155 agricultural loans originated between June 1, 1996 and January 4, 1999. Our agricultural sample represented 6 percent of the bank’s agricultural originations, by number, for the period under review. By dollar volume, our sample represented 16 percent of total agricultural originations.

Based on our sample of agricultural originations, we determined that 68 percent of the farm customers in our sample had gross annual revenues of less than \$250 thousand. We compared the revenue distribution of PNB’s agricultural customers to area demographic information obtained from the 1992 Agricultural Census which was conducted by the U.S. Bureau of the Census. PNB’s proportion of small farm borrowers is reasonable in relation to local agricultural demographics. The table below shows a more detailed analysis of the agricultural borrower revenue distribution.

AGRICULTURAL BORROWER REVENUE DISTRIBUTION				
Sample of 155 Agricultural Originations Between 6/1/96 and 1/12/99				
	Distribution of PNB’s Agricultural Originations		Distribution of Farms in Clay, Cloud, and Washington County	
Revenue Category	Number of Borrowers	Percentage	Number of Farms	Percentage
\$0 - \$249,999	105	68%	1,944	94%
\$250,000 - \$449,999	22	14%	82	4%
\$500,000 and over	28	18%	39	2%
TOTALS	155	100%	2,065	100%

Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (continued)

Consumer Lending

The bank's record of lending to low- and moderate-income families and individuals is good. We reviewed the family income distribution of 99 consumer borrowers in the assessment area with loan originations between June 1, 1996 and January 12, 1999. This sample represented 2 percent, by number, and 3 percent, by dollar volume, of consumer originations during this time period. We determined the bank's record of lending to low- and moderate-income borrowers is good in comparison to the percentage of low- and moderate-income families in the assessment area. The table below shows the breakdown of income levels for the 99 consumer borrowers in our sample.

Individual Income Distribution				
Sample of 99 Consumer Borrowers With Loan Originations				
Between 6/1/96 and 1/12/99				
Income Designation	Distribution of Borrowers in Sample of PNB's Consumer Customers		Distribution of Families in Assessment Area	
	#	%	#	%
Low	36	37%	1,547	20%
Moderate	31	31%	1,685	22%
Middle	24	24%	2,064	27%
Upper	8	8%	2,361	31%
Total	99	100%	7,657	100%

In 1997, PNB introduced a new loan program which has been very popular among consumer borrowers. The loan program, Hometown Holiday Cash Loan Program, is offered during the months of November and December. The primary purpose of the program is to provide consumers with small, low interest loans during the winter holidays. This program also promotes shopping at local stores because approved applicants are provided with vouchers valid only at participating local businesses. The minimum loan amount is \$300. Currently, the maximum loan amount is \$500 per applicant or \$1,000 for joint applications. The annual percentage rate is fixed at 2.9 percent. No payments are required until January of the following year. The consumer is allowed up to nine months to repay the loan. The consumer can apply any remaining voucher credits to their loan. In 1997, the bank originated 147 loans of this type totaling \$162,500. In 1998, the bank originated 284 loans totaling \$162,338.

Loan-to-Deposit (LTD) Analysis

PNB maintains a reasonable LTD ratio. The bank's LTD ratio is higher than other banks in its assessment area, but lower than banks in its national peer group. PNB's LTD ratio is somewhat inflated due to its purchase of out-of-territory loan participations. We compared PNB's quarterly average LTD ratio to four other financial institutions operating in Clay, Cloud, and Washington counties. Our comparison included each quarter from June 1996 to September 1998. Each of the banks in our comparison are primarily agricultural lenders and have total assets between \$40 million and \$125 million. PNB's quarterly average LTD ratio for the past ten quarters was 65 percent. We analyzed Peoples National Bank of Clay Center and Tri-County National Bank of Washington separately since the two institutions had not merged as of September 30, 1998. In our analysis, these two banks' LTD ratios ranked first and second among area banks. The overall quarterly average LTD ratios for the five banks in our comparison was 51 percent. The national peer quarterly average for the same time period was 65 percent. The table below shows the average LTD ratios of the banks in our comparison group.

Loan-to-Deposit Comparison		
Bank Name	Total Assets (000's)	Quarterly Average LTD Ratio 6/30/96 to 9/30/98
Tri-County National Bank *	44,355	67.42%
Peoples National Bank *	71,733	63.46%
Union State Bank	68,552	49.43%
The Citizens National Bank	123,290	45.73%
FNB of Washington	46,694	30.72%

* As stated in the institution description section, Tri-County National Bank merged with Peoples National Bank on October 31, 1998.

Loan and deposit totals for Tri-County National Bank and PNB were combined for Call Report purposes on December 31, 1998. On this date, the LTD ratio was 67 percent. As previously mentioned, PNB's LTD ratio is impacted by the purchase of loan participations from banks outside its normal trade territory. After subtracting nonlocal loan participations, the bank's ratio decreased to 55 percent as of December 31, 1998. This adjustment does not impact the bank's LTD ranking among the banks in our comparison.

Lending in the Assessment Area

The following tables show the total volume of loans originated from June 1, 1996 to January 12, 1999. We separated these originations between the Clay Center location and the former Tri-County National Bank locations of Linn, Concordia, and Washington.

Summary of Loans Originated by the Clay Center Office from June 1, 1996 to January 12, 1999				
Loan Type	Orig. by Number	Percent by Number	\$ Volume (000s)	Percent by Dollar
Agricultural Related	1,303	25.1%	26,712	41.8%
Commercial	415	8.0%	17,978	28.1%
Commercial RE	223	4.3%	8,070	12.6%
Consumer	3,235	62.4%	11,141	17.4%
Residential RE	9	0.2%	78	0.1%
Total	5,185	100%	63,979	100%

Summary of Loans Originated by the Linn, Concordia, and Washington Offices from June 1, 1996 to January 12, 1999				
Loan Type	Orig. by Number	Percent by Number	\$ Volume (000s)	Percent by Dollar
Agricultural Related	1,326	30.2%	37,516	50.5%
Commercial	832	18.9%	22,551	30.3%
Commercial RE	14	0.3%	617	0.8%
Consumer	2,043	46.5%	8,282	11.1%
Residential RE	179	4.1%	5,391	7.3%
Total	4,394	100%	74,357	100%

As shown by the tables above, the bank's primary credit products were agricultural loans (by dollar volume) and consumer loans (by number). Based on this information, we reviewed a sample of 170 agricultural loans and 112 consumer loans to determine the bank's record of lending within the assessment area. We determined that a majority of the bank's agricultural and consumer loans were extended to borrowers living within the assessment area. The table on the following page shows the results of our analysis of agricultural and consumer loans.

Lending in the Assessment Area (continued)

ASSESSMENT AREA (AA) ANALYSIS				
Based on 170 Agricultural and 112 Consumer Loans Originated Between 6/1/96 and 1/12/99				
Type of Loan	No. of Loans in AA	% of Loans in AA (by No.)	\$ Volume of Loans in AA (000s)	% of Loans in AA (by \$)
Agricultural	155	91%	\$9,900	98%
Consumer	99	88%	\$532	90%
Total Loans in A.A.	254	90%	\$10,432	98%

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.

Geographic Distribution of Loans

We did not perform a geographic distribution analysis of loans. This analysis would not be meaningful since the bank's AA only consists of middle-income geographies.

Response to Complaints

PNB has not received any complaints relating to its CRA performance.