



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples Bank, National Association
Charter Number 22010**

**101 East Main
Coldwater, Kansas 67029**

**Office of the Comptroller of the Currency
Wichita Duty Station
3450 N. 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 April 10, 1997. 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 **Outstanding**.

The bank has a good level of lending in relation to its assessment area characteristics. The bank's lending to businesses of different sizes and to borrowers of different incomes is good and compares favorably to the assessment area's income demographics. The bank's investments indicate it is dedicated to the survival and progress of the community.

The following table indicates the performance level of **Peoples Bank, National Association** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PEOPLES BANK, NATIONAL ASSOCIATION 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	An analysis of the geographic distribution of loans is not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

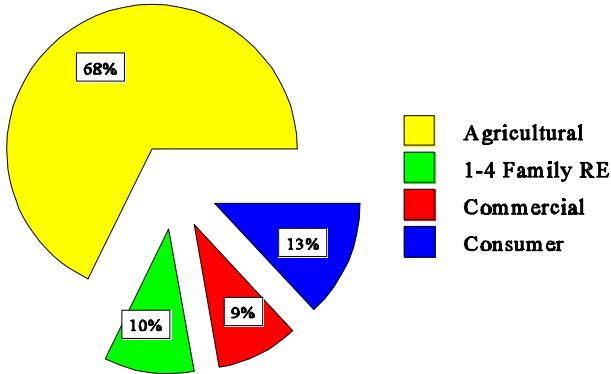
DESCRIPTION OF INSTITUTION

Peoples Bank, National Association (Peoples Bank) is a \$25 million bank located in Coldwater, Kansas. The bank is wholly-owned by Stockgrowers Banc Corporation, a two-

bank holding company located in Ashland, Kansas. The bank does not have any branch locations or automated teller machines. The bank considers Farm Credit and the bank in Protection, Kansas, its main competitors.

Loan Portfolio Composition

As of December 31, 1996



Peoples Bank is a full service bank which offers a variety of loan, deposit, and investment related products. As of December 31, 1996, the loan portfolio had the following composition: 68% agricultural and farmland loans, 9% commercial loans, 13% consumer loans, and 10% residential real estate loans.

The bank's financial condition, size, local economic conditions, and other factors allow it to assist in meeting the credit needs of its assessment area. The bank has not opened or closed any branches since the previous examination.

The bank was rated "Satisfactory Record of Meeting Community Credit Needs" at the previous CRA examination, May 10, 1995.

DESCRIPTION OF COMANCHE COUNTY.

The bank's assessment area is Comanche County, Kansas. The county is not in a Metropolitan Statistical Area. Comanche County contains only Block Numbering Area 9676, a middle-income tract. Of all the households in the assessment area, 28% are low-income, 20% are moderate-income, 22% are middle-income, and 31% are upper-income. The median family income for the assessment area is \$24,057, which is lower than the \$36,100 for the Kansas statewide non-metropolitan median family income.

Located in south central Kansas, Coldwater is the county seat of Comanche County. Comanche County is sparsely populated with approximately 2,300 people. Coldwater has a population of approximately 900 people. The primary credit needs within the community are agricultural financing and small consumer loans. Demographic data shows 26% of the county's population is over 65 years of age, and 40% of the population receives Social Security benefits. A community contact stated, "This is an aging community ... we are marketing the area as a retirement community." Bank management indicated the demand for

residential real estate is low due to this demographic. One of the primary needs of the population is small “convenience” loans which are often supported by Social Security.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Analysis

The bank’s lending level is good despite the area’s low loan demand from an aging population. During the last eight quarters, the bank’s average loan-to-deposit ratio was 54%, which compares favorably to the assessment area’s average of 45%. The average loan-to-deposit ratios for the four banks in the assessment area range from 16% to 73% over the same eight quarter time period. Lending performance is particularly strong compared to the other bank in Coldwater’s 35% average loan-to-deposit ratio. The bank with the higher loan-to-deposit ratio supplements the assessment area’s low loan demand with purchased loan participations.

The Bank aggressively seeks loan growth through innovative community programs and efforts to identify its assessment area credit needs. Community contacts stated that Peoples Bank seeks out the community needs and lends more aggressively than the other local institution.

Lending in Assessment Area

The bank extends a majority of loans within its assessment area. A review of the bank’s zip code report disclosed that the bank loans 85% of the dollar volume and 81% of the number of loans to customers residing within the bank’s assessment area.

Lending to borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s lending to businesses of different sizes and borrowers of different incomes is good. Examiners selected a sample of thirty-seven agricultural loans made since the last examination. The sampled borrowers had gross annual revenues ranging from less than \$100,000 to \$507,000. The county has approximately 200 farm operators. Management estimates 97% of those meet the bank’s definition of a small farm (gross annual revenues less than \$500,000). We found the following distribution:

Gross Annual Revenue Distribution Agriculture Lending	
\$0 to \$100,000	27
\$100,001 to \$200,000	7
\$200,001 to \$300,000	1
\$301,000 and above	2

The bank lends to individuals of all income levels. Lending compares favorably to the assessment area's demographics. We selected a sample of approximately 20% of the consumer loans made in 1996. Our sample disclosed the bank has a strong level of penetration to borrowers with low- or moderate-incomes. As the table below indicates, the bank has originated a larger portion of its consumer loans to borrowers with low- or moderate-incomes, 75%, than the proportion of low- or moderate-income individuals residing in the assessment area, 48%.

	% of households in assessment area	% of consumer loans generated
Low-Income	28%	48%
Moderate-Income	20%	27%
Middle-Income	22%	19%
Upper-Income	31%	6%

The bank is meeting the need for small consumer loans. According to the bank, a small consumer loan is one that is less than \$5,000. We reviewed 231 consumer credits and found that 69% were for \$5,000 or less.

Distribution of Credit Within the Assessment Area

An analysis of the distribution of credit within the assessment area is not meaningful as the assessment area includes only one middle-income block numbering area.

Response to complaints

No complaints were received since the prior examination.

Investments

The bank's investments within its community indicate the bank is dedicated to the survival and progress of its community. The bank's investments have not only aided in the development of the community, but have also preserved jobs at a local long-term health care facility. The investments are as follows:

- In June, 1994, the bank purchased \$85,000 in Industrial Development Revenue bonds of the Coldwater Kansas Elderly Housing Development, located in Coldwater. Low occupancy rates caused financial difficulties. The organization refinanced the bonds at lower interest rates. Both Coldwater banks were instrumental in aiding the organization by purchasing the bonds.
- Peoples Bank was directly responsible for saving over 40 jobs by advancing low interest credit to a long-term health care facility. Over 90% of the jobs were low- or moderate- income. Mennonite Health Resources experienced severe financial difficulties due to the loss of Medicare payments. The bank loaned the health care service \$229,000 to aid in the rehabilitation of the home. President Avey stated the bank would not have made a similar out-of-area loan.
- Within the last year, Peoples Bank and the Bank of Protection created a Community Development Corporation (CDC). The CDC's purpose is to purchase dilapidated homes within the communities, refurbish them, and sell them to low- or moderate-income families. The CDC has purchased a home within Coldwater and is accepting bids on the rehabilitation.

Compliance with Anti-Discrimination Laws and Regulations

We did not identify any substantive violations of the Fair Lending laws and regulations. Our review did not indicate any evidence of apparent disparate treatment or other illegal credit practices.