



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PEOPLES NATIONAL BANK
Charter Number 23069**

**7810 West 151st Street
Overland Park, Kansas 66223-0608**

**Office of the Comptroller of the Currency
Kansas City Field Office
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 Community Reinvestment Act (CRA) performance of **Peoples National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 2, 1998. 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**.

Peoples National Bank's loan-to-deposit ratio is more than reasonable given its financial capacity and its competitive environment. The bank's distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. Also, its geographic distribution of loans reflects reasonable dispersion throughout its assessment area.

DESCRIPTION OF INSTITUTION

Peoples National Bank (PNB) is a \$64 million bank. It is majority-owned by Peoples Incorporated. PNB's main facility is located in Overland Park, KS which is in the Kansas City Metropolitan Statistical Area (MSA). The bank has four branches with two branches in Louisburg, KS; one branch in Stillwell, KS; and one branch in Lawrence, KS. The bank also has four automatic teller machines (ATM). PNB specializes in 1-4 family residential mortgage lending and commercial real estate lending.

As of December 31, 1997, the bank's loan portfolio totaled \$48 million and consisted of 31% 1-4 family residential real estate, 24% commercial real estate, 19% commercial & industrial, 15% construction & development, 8% consumer installment, and 3% other. If PNB did not sell most of its 1-4 family residential mortgage loans to the secondary market, 1-4 family residential real estate loans would represent a substantially larger percentage of the bank's loan portfolio. For example, PNB sold 588 1-4 family residential mortgage loans to the secondary market (totaling \$63 million) in fiscal 1997.

The bank faces strong competition within its assessment areas (AA). The bank's competitors consist of all large financial institutions in the Kansas City, Topeka, and Lawrence MSAs, as well as numerous community banks, savings banks, and mortgage companies. Management has identified four similarly situated banks as its peers based on their physical locations, asset size, and lending focus. Based on its peer group, PNB is the second smallest in total asset size as of December 31, 1997.

PNB's small size somewhat impairs its ability to lend to large commercial businesses. The bank's maximum legal lending limit to any one borrower has ranged from \$600,000 to \$700,000 since the bank's inception. Large commercial businesses typically borrow in larger amounts. Except for size, there are no other legal impediments or other factors, including the financial condition of the bank, which hinders its ability to fulfill its CRA obligation.

PNB is a new bank which opened for business on July 1, 1996. This examination represents its first CRA performance evaluation since its inception. Since Home Mortgage Disclosure Act (HMDA) reportable loans represent the bank's largest volume of lending (35% by number of all loans originated in fiscal 1997), we primarily focused our analysis on PNB's home purchase, home refinance, home improvement, and multi-family loans. Additionally, PNB just opened a Lawrence, Kansas branch on December 1, 1997, and very few loans had been originated as of December 31, 1997. Therefore, our analysis of PNB's CRA performance did not include a review of its lending activity in the Lawrence, Kansas AA.

DESCRIPTION OF ASSESSMENT AREAS

PNB's AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income areas. The bank's AA consists of all census tracts that compose Johnson County, KS; Miami County, KS; and the city limits of Lawrence, KS. Both Johnson County and Miami County are located in the southwestern portion of the Kansas City MSA. The city of Lawrence is located in the Lawrence MSA which is 40 miles west of the Kansas City MSA.

The Kansas City MSA's economy is strong with an unemployment rate of 3%. It benefits from a diverse employment base including state and federal government, telecommunications, automotive production, engineering services, and health care industries. Based on 1990 census data, the median family income for the Kansas City MSA is \$37,652. The 1997 Department of Housing and Urban Development (HUD) estimated median family income for the Kansas City MSA is \$50,200.

The Lawrence MSA's economy is stable with an unemployment rate of 5%. The University of Kansas represents the MSA's largest employer. Based on 1990 census data, the median family income for the Lawrence MSA is \$35,632. The 1997 HUD estimated median family income for the Lawrence MSA is \$45,800.

JOHNSON COUNTY and MIAMI COUNTY, KANSAS

Demographic data from the 1990 census show county populations of 355,054 and 23,466 for Johnson County and Miami County, respectively. The median family income for Johnson County is \$50,348. The median family income for Miami County is \$34,832. There are 144,155 housing units in Johnson County and 8,971 housing units in Miami County. Combined data for both counties reflect 66% of the total housing units are owner occupied while 28% are renter occupied. Combined data for both counties also reflect a median housing value of \$93,561 and a median monthly gross rent of \$511.

Examiners reviewed eight community contacts made by bank regulators. Contacts identified residential real estate lending and small business lending as the counties' primary credit needs. In particular, low- to moderate-income housing is needed to provide affordable housing for the employees of service sector businesses and other small businesses. Also, per one contact, micro-business loans in the \$2,000 to \$3,000 range are needed to provide startup financing to local entrepreneurs.

As illustrated in Table 1 below, there are no low-income census tracts in either Johnson County or Miami County. The one moderate-income census tract, tract 1007, is located in the far southwest corner of Miami County. However, low-income families and moderate-income families exist in both counties. Table 2 shows 9% of the combined population for both counties are low-income families, 13% are moderate-income, 22% middle-income, and 56% upper-income.

Table 1

<i>Census Tract Income Level</i>	<i>Johnson County</i>		<i>Miami County</i>		<i>Both Counties Combined</i>	
	#	%	#	%	#	%
Low-income	0	0%	0	0%	0	0%
Moderate-income	0	0%	1	14%	1	1%
Middle-income	29	39%	5	72%	34	42%
Upper-income	46	61%	1	14%	47	57%
Total	75	100%	7	100%	82	100%

Table 2

<i>Families Income Level</i>	<i>Johnson County</i>		<i>Miami County</i>		<i>Both Counties Combined</i>	
	#	%	#	%	#	%
Low-income	8,826	9%	300	5%	9,126	9%
Moderate-income	11,297	11%	2,598	40%	13,895	13%
Middle-income	21,640	22%	1,868	29%	23,508	22%
Upper-income	56,942	58%	1,711	26%	58,653	56%
Total	98,705	100%	6,477	100%	105,182	100%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

PNB's loan-to-deposit ratio is more than reasonable given its financial capacity and its competitive environment. The bank's average quarterly loan-to-deposit ratio equaled 83% for the period September 30, 1996 to December 31, 1997. Although PNB is the second smallest in total assets size when compared to its four peers, its 82% loan-to-deposit at December 31, 1997 ranked the highest versus its peers whose loan-to-deposit ratio ranged from 56% to 75% on the same date. The following table provides comparative information for PNB and its peer banks.

Bank Name	Total Assets 12-31-97	Loan-to-Deposit 12-31-97	Average Quarterly Loan-to-Deposit for the Period 9-30-96 to 12-31-97
Peoples National Bank, Overland Park, KS	\$64 million	81.57	82.56
Bank of Blue Valley, Overland Park, KS	\$198 million	74.05	74.86
Metcalf Bank, Overland Park, KS	\$149 million	56.42	49.68
Stanley Bank, Overland Park, KS	\$94 million	75.12	68.46
First National Bank of Louisburg, Louisburg, KS	\$49 million	56.49	57.03

Comparison of Loans Originated Inside and Outside of the Assessment Areas (AA)

PNB makes a majority of its loans within its AA. For fiscal 1997, the bank originated 56% by number and 64% by dollar volume of its HMDA reportable loans within its assessment areas. HMDA reportable loans represented 35% by number and 61% by dollar volume of all loans originated in fiscal 1997. We primarily focused our analysis on PNB's HMDA reportable loans since they represent the bank's major product line.

Loans 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 and farms of different sizes. As illustrated in the table, PNB's lending to low-income and moderate-income borrowers equals the market when the percentages of lending to such borrowers are combined. Using all HMDA reportable loans and then just home purchase loans, we identified the following distributions for fiscal 1997.

<i>Income Designation of the Borrowers</i>	<i>Distribution of PNB's HMDA Reportable Loans within the Assessment Area (AA) based on Borrowers' Incomes*</i>		<i>Distribution of PNB's Home Purchase Loans within the Assessment Area (AA) based on Borrowers' Incomes*</i>		<i>Income Designation of Families within the AA %</i>
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low-income	6	2%	4	2%	9%
Moderate-income	62	19%	56	20%	13%
Middle-income	108	33%	94	34%	22%
Upper-income	150	46%	120	44%	56%
Totals	326	100%	274	100%	100%

* Assessment area includes Johnson and Miami Counties only; also these numbers and percentages do not reflect ten borrowers for whom income information was not available.

PNB does a good job of extending commercial and agricultural loans to businesses and farms of different sizes, especially very small businesses and very small farms. This is reasonable given the bank's small size; see the above section "**Description of Institution.**" The revised CRA regulation assumes a business's or farm's loan amount generally correlates to the size of that business or farm. Thus, the revised CRA regulation assumes that a loan of \$1,000,000 or less to a business, or a loan \$500,000 or less to a farm, was made to a small business or small farm, respectively. As illustrated in the tables, the bank originated a substantial majority of its commercial and agricultural loans at amounts less than \$100,000.

<i>\$ Amount of Loan Origination</i>	<i>Distribution of Commercial RE and Industrial Loans*</i>		<i>\$ Amount of Loan Origination</i>	<i>Distribution of Farmland and Agricultural Loans*</i>	
	<i>#</i>	<i>%</i>		<i>#</i>	<i>%</i>
< \$100,000	434	82%	< \$100,000	208	97%
\$100,000 - \$250,000	50	9%	\$100,000 - \$250,000	5	2%
\$250,000 - \$1,000,000	45	9%	\$250,000 - \$500,000	2	1%
Small Business Loans Subtotal	529	100%	Small Farm Loans Subtotal	215	100%
Total Commercial RE and Industrial Loans	529	100%	Total Farmland and Agricultural Loans	215	100%

* Based on internal lending reports for the period July 1, 1996 to March 17, 1998.

Geographic Distribution of Loans

PNB's geographic distribution of loans reflects reasonable dispersion throughout its AA. The lack of activity in low-income census tracts is reasonable given that there are no low-income census tracts in Johnson County or Miami County, Kansas. The bank also has no penetration in the AA's moderate-income census tract (i.e. tract 1007). However, this is not a concern because tract 1007 is a significant distance from the bank's branches and strong competition is provided by other mortgage lenders in that area. Using the bank's HMDA reportable loans, we identified the following distribution for fiscal 1997.

<i>Income Designation of Census Tract(s)</i>	<i>Distribution of PNB's HMDA Reportable Loans within the Assessment Area (AA)* based on Income Level of the Census Tracts</i>		<i>Distribution of Census Tracts within the AA*</i>
	<i>#</i>	<i>%</i>	
Low-income	0	0%	0%
Moderate-income	0	0%	1%
Middle-income	115	34%	42%
Upper-income	221	66%	57%
Totals	336	100%	100%

* Assessment area includes Johnson and Miami counties only.

Response to Complaints

PNB has not received any CRA related complaints since its July 1, 1996 inception.

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.