



PUBLIC DISCLOSURE

July 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples National Bank & Trust
Charter Number 1910**

**434 South Main Street
Ottawa, Kansas, 66067**

**Comptroller of the Currency
Midwestern District
Kansas City North Field Office
6700 Antioch, 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 the **Peoples National Bank and Trust**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of July 19, 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 Record of Meeting Community Credit Needs.**”

Peoples National Bank and Trust continues to meet the credit needs of its assessment area.

- C The bank's loans are reasonably distributed to borrowers of various income levels.
- C The bank's loan-to-deposit ratio is reasonable based on its competitive environment and the opportunities for loan growth within the assessment area. The loan-to-deposit ratio since the last Performance Evaluation (February 1996) has averaged just over 57 percent.
- C The bank has a satisfactory record of lending within the assessment area. Approximately 86 percent of all one to four family residential mortgage loans reviewed were dispersed to borrowers located within the bank's assessment area.
- C No consumer complaints have been received by the bank since the last Performance Evaluation.

DESCRIPTION OF INSTITUTION

Peoples National Bank and Trust (PNB&T) is an \$86 million bank located in Ottawa, Kansas. As of March 31, 1999, total loans represent 51 percent of the bank's assets. The two tier holding company consists of Winter Trust of 12/3/74 and Peoples, Inc., and owns 98 percent of outstanding bank stock. As of March 31, 1999, People's Inc., Colorado Springs, Colorado, showed total assets of \$39 million representing 5 bank investments in Colorado and Kansas. PNB&T offers a full range of traditional banking products and services to the local community. All banking locations are in Ottawa, and include the main bank, a full service branch housed in a local supermarket, and a drive-up deposit taking facility. The two branch facilities offer automated teller machines (ATMs). Three additional ATMs are located at various locations in Ottawa. The bank's focus is primarily on commercial and residential loan products, but it also offers agricultural loans and other retail types of credit. The following table details the loan portfolio by loan type.

Loan Portfolio as of March 31, 1999		
Loan Type	Dollar Amount (\$000)	Percent
Construction & Development	3,639	8%
1 - 4 Family Residential	10,528	24%
Farmland	2,629	6%
Commercial Real Estate	12,775	29%
Ag Production	3,344	8%
Commercial	7,529	17%
Consumer	3,076	7%
Other Loans and Leases	651	1%
Total	44,171	100%

There are no legal or financial impediments limiting the bank's ability to help meet the credit needs of the community. PNB&T was rated "Outstanding record of meeting community credit needs" in the last Performance Evaluation dated February 12, 1996.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is all of Franklin County, and has a population of 21,994. All block numbering areas in the assessment area are middle-income tracts. All bank locations are located within the assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income tracts. PNB&T is the largest of the 4 banks chartered in

Franklin County with total assets of \$86 million. PNB&T considers the 4 banks (including 3 branch locations of banks chartered outside Franklin County) in Ottawa its primary competition.

Low and moderate-income families represent 17 percent and 16 percent of the assessment area’s population, and middle and upper-income families represent 25 percent and 42 percent, respectively. The estimated 1999 median family income for Franklin County is \$38,700. The percentage of households below poverty level in the assessment area is 13 percent. The weighted average of the median housing value is \$37,476 and 68 percent of the housing consists of owner occupied units. The Franklin County economy is influenced by several small to mid-sized industries, a large trucking operation, and a small church-affiliated university. In 1995, Wal-Mart became the largest local employer when it built a regional distribution center that employs approximately 500 people. Agriculture continues to impact the local economy, but to a lesser degree as the economy diversifies. The local unemployment rate is low at 2.8 percent.

Two community contacts, located in the assessment area, were interviewed during the examination. The contacts did not indicate there were any unmet credit needs in this community. However, one contact indicated that no financial institution in the assessment area has been able to successfully develop and implement loan products specifically designed for low and moderate-income families.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Income Levels

The bank’s lending activity to borrowers of different incomes and to businesses of different sizes is reasonable. PNB&T’s primary lending products are one to four family residential real estate loans and various types of commercial credit. Based on a sample of 1997, 1998, and 1999 originations, management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers, as well as, to small businesses. The table below summarizes originations by the number of loans to families in each income category.

Sample of 1997, 1998, & 1999 Residential RE Lending Activity by Borrower Income Level			
Borrower Income Level	# of Loans	% of Total Loans	Percent of Families in Income Category
Low-Income	1	2.86%	17.28%
Moderate-Income	9	25.71%	15.99%
Middle-Income	12	34.29%	24.95%
Upper-Income	13	37.14%	41.77%
Total	35	100%	100%

Note: Includes secondary market originations for 1999. The bank began monitoring secondary market originations by number in 1999.

The percent of residential real estate loans to low-income applicants is low at 2.86 percent. Bank management stated that many low cost, single family residences in the assessment area are rental units. 1990 U.S. Census information reflects that 25 percent of the housing units in the assessment area are rental occupied units. PNB&T identified several commercial borrowing customers that provide single family residential housing at affordable rent rates, but does not track the total number of rental occupied units financed. Using the bank's information system, management prepared a customized report that indicates bank financing on 71 single family rental units.

The following table reflects the distribution of commercial loans by gross revenue size. The information in this table is based on a sample of originations from 1997, 1998, and 1999.

Distribution of Commercial/Agricultural Loans by Revenue Size			
Revenue Size	Number	Percent	Percent of small businesses
Borrowers w/revenues < \$1MM	17	85%	78%
Borrowers w/revenues > \$1MM	3	15%	7%
Gross revenue not reported	0	0%	15%
Total	20	100%	100%

Loan-to-Deposit Analysis

The bank's loan-to-deposit ratio is reasonable based on its competitive environment and opportunities for loan growth within the assessment area. The bank's loan-to-deposit ratio has ranged from 46 percent in the first quarter of 1997 to a high of 65 percent in the second quarters of 1996 and 1998. The quarterly loan-to-deposit ratio since the last Performance Evaluation is reasonable, averaging 57 percent. PNB&T ranks 3rd out of the 4 bank's chartered in Franklin County. The quarterly average loan-to-deposit ratio for these banks ranged from 44 percent to 65 percent.

Comparison of Credit Extended Inside and Outside of the Assessment Area

The bank's record of lending within the assessment area is satisfactory. Based on a sample of residential mortgage loans (in-house and secondary market originations), a majority of all residential mortgage loans originated at this bank are located within the assessment area. The following tables summarize these findings for 1997, 1998, and 1999.

Loan Originations by Number						
	1997		1998		1999	
	Number		Number		Number	
In the assessment area	6	75%	6	86%	18	90%
Out of the assessment area	2	25%	1	14%	2	10%

Total	8	100%	7	100%	20	100%
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Note: Includes secondary market originations.

Loan Originations by Dollar (in thousands)						
	1997		1998		1999	
	Amount		Amount		Amount	
In the assessment area	560	81%	404	63%	316	74%
Out of the assessment area	131	19%	234	37%	110	26%
Total	691	100%	638	100%	426	100%

Note: Does not include secondary market originations. Bank does not track secondary market originations by dollar.

Distribution of Credit Within the Assessment Area by Geography

An analysis of the geographic distribution of the bank’s loans within the assessment area would not be meaningful. All block numbering areas in the bank’s assessment area are middle-income tracts.

Compliance with Antidiscrimination Laws and Regulations

Based on the results of our fair lending examination, we did not find any evidence of disparate treatment or discrimination. The bank complies with the applicable antidiscrimination laws and regulations. No violations were disclosed at this examination.

The fair lending examination included a comparison of applicants for consumer loans secured by automobiles. Our file sample compared five denied female applicants against 25 approved male applicants. All applications were dated after September 1998.

Response to Complaints

PNB&T has not received any written complaints regarding its CRA performance since the previous examination dated February 12, 1996.