



PUBLIC DISCLOSURE

August 8, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PEOPLES BANK
RSSD# 443951**

**6201 N.W. 23RD STREET
BETHANY, OKLAHOMA 73008**

**Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198**

NOTE: This document is an evaluation of this 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. 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.

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GENERAL INFORMATION

INSTITUTION'S CRA RATING: *This institution is rated **Satisfactory***

Peoples Bank has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources, operating philosophy, and credit needs of the community. Four of the five criteria used in evaluating small bank lending performance were relevant to this review and are as follows:

- Loan-to-Deposit (LTD) Ratio
- Lending Inside the Assessment Area (AA)
- Lending to Borrowers of Different Income Levels and Businesses of Different Revenue Sizes
- Geographic Distribution of Loans

The bank's responsiveness to complaints under the Community Reinvestment Act (CRA), the fifth core criteria used to assess small bank performance, was not evaluated because the bank has not received any CRA complaints.

Conclusions regarding the four performance criteria were based on data compiled from a statistically-derived sample of loan files for each major product line. The major product lines were determined through discussions with bank management, a review of the Report of Condition and Income (Call Report), and a review of the number of loan originations since the bank's last CRA examination in July 2001. The two loan products selected for review were commercial and consumer motor vehicle loans.

Peoples Bank's LTD ratio indicates an excellent effort to extend credit in a competitive lending market. In addition, a majority of the bank's lending activity occurred within its AA. The bank's geographic distribution of small business and consumer motor vehicle loans reflected a reasonable dispersion throughout its AA, and the distribution of loans among businesses of different revenue sizes and to borrowers of different income levels was reasonable.

DESCRIPTION OF INSTITUTION

Peoples Bank is headquartered in the western portion of Oklahoma City, Oklahoma, near the communities of Bethany and Warr Acres, Oklahoma. The bank operates from one location that also offers an on-site automated teller machine (ATM) and multiple drive-through lanes. The bank was recently granted approval by the Federal Reserve Bank of Kansas City to open a branch in the northern section of Oklahoma City, which should be fully operational by September 2005.

The analysis of the bank's CRA performance considered its financial constraints, local economic conditions, and demographics, including the competitive environment in which the bank operates. Although Peoples Bank is subject to strong competition from other financial institutions within its assessment area, there are no legal impediments that currently impact the bank's ability to lend. The bank's lending activity is primarily devoted to commercial loans and commercial real estate, but also includes a variety of consumer credit products to meet the needs of its assessment area. According to the June 30, 2005 Call Report, the bank's total assets were \$32.1 million, including loans totaling \$26.3 million and deposits totaling \$26.4 million. Table 1 illustrates the breakdown of the bank's loan portfolio by product.

Table 1		
PEOPLES BANK'S LOAN PORTFOLIO AS OF JUNE 30, 2005		
Loan Type	Amount (\$000)	Percent of Total
Commercial	18,784	71
Real Estate	4,106	16
Consumer	2,813	11
Other	566	2
Agricultural	1	<1
TOTAL Gross Loans	26,270	100

The bank's performance under the CRA was last evaluated at the July 16, 2001 examination at which time it was also assigned a satisfactory rating.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Peoples Bank has designated all of Canadian and Oklahoma Counties as its assessment area. A majority of the bank's lending occurs within Oklahoma County, one of six counties that comprise the Oklahoma City Metropolitan Statistical Area (MSA). The majority of the tracts surrounding the bank are primarily middle-income, although there are five moderate-income tracts relatively close to the bank. However, the majority of AA low- and moderate-income tracts are not within close proximity to the bank and are located in Oklahoma City's downtown and central areas, approximately seven miles from the bank. The bank operates in a highly competitive market that includes 46 other financial and saving institutions within Oklahoma County alone. According to 2004 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits data, Peoples Bank has less than 1 percent market share in Oklahoma County and no deposit activity in Canadian County.

The economic outlook for the Oklahoma City area appears favorable. The area's housing market demand is strong and highly affordable. The unemployment rate is decreasing, and the availability of government services and military bases provides a degree of insulation from

economic downturns in other industry sectors. While the economy appears to be growing, the metropolitan area is dependent on manufacturing related jobs, which are showing signs of decline. Furthermore, manufacturing jobs have historically paid higher salaries than professional and service industries, although the area's per capita income is lower than that of the national average. As a result, the risk of a consumer spending slowdown is heightened.

According to U.S. Census data, the bank's assessment area had an approximate growth rate of 12 percent from 1990 to 2000. Net migration from other states was also positive compared to the other metropolitan areas in Oklahoma. Other demographic information within the bank's assessment area, including housing, median family income, labor, and affordability ratios, compare similarly with the Oklahoma City Metropolitan Area, as well as other MSAs within the state.

Members of the community were interviewed during the review to gain perspective on local economic conditions and potential credit needs. The contacts included an economic development official and a representative of a local chamber of commerce. According to one contact, the community near the bank is well-established and has a higher elderly population, when compared to other areas in the state. The area also has a slightly higher number of individuals under the age of 25 due to the location of two private colleges in the community.

Information obtained from both contacts confirmed that the local economy is strong. However the local chamber contact stated that the communities in closest proximity to the bank's location are struggling for tax dollars and investment resources. To address this concern, the chamber is working with local community governments to attract small and intermediate-sized businesses to the area as a means to generate tax revenues. The economic development official stated that the city and economic development organizations have been successful in attracting medium and large service-oriented businesses into the area.

Table 2 summarizes the characteristics of the bank's assessment area based on 2000 Census and 2004 Dun & Bradstreet data.

Table 2

PEOPLES BANK ASSESSMENT AREA DEMOGRAPHICS

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	21	8.3	7,057	3.6	2,622	37.2	41,579	21.2
Moderate-income	84	33.5	58,038	29.6	11,166	19.2	35,766	18.2
Middle-income	82	32.7	68,536	34.9	5,662	8.3	41,487	21.1
Upper-income	60	23.9	62,733	31.9	2,031	3.2	77,532	39.5
Unknown-income	4	1.6	0	0.0	0	0.0	0	0.0
Total Assessment Area	251	100.0	196,364	100.0	21,481	10.9	196,364	100.0
	Housing Units by Tract	Housing Tracts By Type						
		Owner-occupied			Rental		Vacant	
		#	% by Tract	% by Unit	#	% by Unit	#	% by Unit
Low-income	14,484	4,705	2.5	32.5	7,099	49.0	2,680	18.5
Moderate-income	110,568	46,743	25.1	42.3	50,123	45.3	13,702	12.4
Middle-income	113,291	68,027	36.6	60.1	35,825	31.6	9,439	8.3
Upper-income	90,475	66,537	35.8	73.6	19,115	21.1	4,823	5.3
Unknown-income	171	0	0.0	0.0	144	84.2	27	15.8
Total Assessment Area	328,989	186,012	100.0	56.5	112,306	34.1	30,671	9.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1,838	6.5	1,419	5.8	308	10.2	111	11.0
Moderate-income	7,995	28.1	6,804	27.9	932	31.0	259	25.7
Middle-income	9,498	33.4	8,195	33.6	961	32.0	342	33.9
Upper-income	8,090	28.4	7,219	29.5	626	20.8	245	24.3
Unknown-income	1,015	3.6	784	3.2	180	6.0	51	5.1
Total Assessment Area	28,436	100.0	24,421	100.0	3,007	100.0	1,008	100.0
Percentage of Total Businesses:				85.9		10.6		3.5

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Based on Peoples Bank's size, financial condition, competitive factors and its assessment area's credit needs, the bank's average LTD ratio is considered excellent. Over the past 16 quarters, Peoples Bank LTD ratio averaged 84 percent, which exceeded the average LTD ratio of 59 percent for seven similarly-situated financial institutions with operations in Oklahoma and Canadian Counties. The bank's LTD ratio also was higher than the national peer group average LTD ratio of 58 percent.

Summary of Lending Performance

Table 3 ¹										
PEOPLES BANK'S LENDING PERFORMANCE										
Assessment Area Distribution	Inside					Outside				
	#	%	\$('000s)	%		#	%	\$('000s)	%	
Small Business	28	80	3,248	66		7	20	1,645	34	
Motor Vehicles	23	89	274	90		3	11	29	10	
TOTAL	51	84	3,522	68		10	16	1,674	32	
Geographic Distribution	Percentage of Bank's Small Business Loans					Percentage of AA Small Businesses				
	Low	Moderate	Middle	Upper	Unknown	Low	Moderate	Middle	Upper	Unknown
Small Business	0	29	29	39	3	7	28	33	28	4
	Percentage of Bank's Motor Vehicle Loans					Percentage of AA Families				
	Low	Moderate	Middle	Upper	Unknown	Low	Moderate	Middle	Upper	Unknown
Motor Vehicle	0	22	52	26	0	3	30	35	32	0
Distribution by Size of Business and Borrower Income Level	Percentage of Bank's Small Business Loans					Percentage of Small Businesses in AA with Revenues < \$1MM				
	Small Businesses with Gross Revenues < \$1 Million					86				
	100									
Income Level of Borrower	Percentage of Bank's Motor Vehicle Loans					Percentage of AA Families				
	Low	Moderate	Middle	Upper		Low	Moderate	Middle	Upper	
	30	35	9	26		21	18	21	40	

Lending in the Bank's Assessment Area

As indicated in Table 3, a majority of the bank's small business and consumer motor vehicle loans are originated inside the assessment area. The bank's record of lending within its assessment area is, therefore, considered satisfactory.

¹ Demographic data presented in Table 3 is based on 2000 Census and 2004 Dun & Bradstreet data for the bank's AA.

Geographic Distribution of Loans

Within this performance test, the bank's distribution of business loans among geographies of various income levels is compared to the percentage of small businesses located in each of these geographies. Similarly, the bank's distribution of motor vehicle loans is compared to the percentage of families located in geographies of different income levels, with emphasis on low- and moderate-income tracts. Overall, the bank's distribution of loans by income level of geography is considered satisfactory.

Business Loans

Table 3 illustrates the bank's distribution of loans throughout its assessment area. Considering the performance context of the bank's lending area, the bank's level of business lending within different geographies is considered satisfactory. Although lending in moderate-income tracts compares similarly to the percentage of small businesses located in these tracts, the bank's lending patterns reflect no originated loans in the area's low-income tracts. However, as previously mentioned, the bank has a small market presence in the area and faces significant competition from other financial institutions. Furthermore, the location of low-income tracts within the bank's assessment area is not in close proximity to the bank's only location.

Motor Vehicle Loans

Table 3 reveals that the bank's distribution of motor vehicle loans in low- and moderate-income geographies is less than the percentage of families residing in low- and moderate-income geographies, respectively. However, the bank's ability to effectively lend is impeded by the proximity of these tracts to the bank's single location. Further demographic research indicates that 21 percent of families residing in low- and moderate-income tracts are below the poverty level, compared to 11 percent for the entire assessment area. The distribution of loans is considered reasonable when taking performance context issues into consideration.

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

This lending test focuses on the bank's level of lending to small businesses, which are defined by the CRA as those businesses with gross annual revenues less than \$1 million. The test also focuses on the percentage of loans originated to borrowers of different income levels compared to the percentage of AA families with different income levels, especially those with low and moderate incomes. Overall, the bank's level of lending in this category is considered satisfactory.

Business Loans

The distribution of the bank's loans to small businesses represents an excellent penetration. Table 3 indicates that all of the bank's loans were to small businesses with revenues of less than \$1 million. In addition, approximately 84 percent of the bank's loans were made in amounts less than \$250M. Smaller loan amounts generally indicate more lending to smaller business entities.

Motor Vehicle Loans

The bank's lending to borrowers of different income levels, especially low- and moderate-income borrowers, reflects a satisfactory penetration. Table 3 indicates that the bank's lending to low- and moderate-income borrowers exceeded the percentage of low- and moderate-income families in the assessment area.

Record of Responding to Complaints

The bank has not received any complaints about its performance in meeting assessment area credit needs; therefore, this criterion was not evaluated.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants. Further, the bank has not engaged in other illegal practices inconsistent with helping to meet community credit needs.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract or a block numbering area.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

Low-Income – Less than 50 percent of the area median income

Moderate-Income – At least 50 percent and less than 80 percent of the area median income

Middle-Income – At least 80 percent and less than 120 percent of the area median income

Upper-Income – At least 120 percent or more of the area median income

Metropolitan Statistical Area (MSA) – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Business Loan – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Farm Loan – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”