



PUBLIC DISCLOSURE

February 22, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Peoples Bank
RSSD# 723756**

**101 East Main Street
Coldwater, Kansas 67029**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
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.

TABLE OF CONTENTS

Institution’s Community Reinvestment Act Rating..... 2
Scope of Examination 2
Description of Institution..... 2
Description of Assessment Area 3
Conclusions with Respect to Performance Criteria 5
Fair Lending or Other Illegal Credit Practices Review..... 7
Appendix A – Map of The Assessment Area..... 8
Appendix B – Demographic Information 9
Appendix C – Glossary 10

INSTITUTION'S COMMUNITY REINVESTMENT ACT RATING

Peoples Bank (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- The geographic distribution of loans throughout the AA was not evaluated as the AA consists entirely of one middle-income census tract and an analysis would not be meaningful.
- Lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and farms of different sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

SCOPE OF EXAMINATION

The Federal Financial Institutions Examination Council's *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy, and market competition, as well as the AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's Comanche County AA. The following data was reviewed:

- The bank's 17-quarter average NLTD ratio
- Statistical samples of the bank's small farm and other secured consumer loans originated between November 29, 2016 through December 31, 2019 were evaluated:
 - Small Farm Loans - 47 loans were selected from a universe of 61 loans.
 - Other Secured Consumer Loans - 40 loans were selected from a universe of 50 loans.
- Small farm loans were given more weight in this evaluation due to the bank's focus on agricultural lending.

DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Coldwater, Kansas. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Stockgrowers Banc Corporation, Ashland, Kansas.
- The bank has total assets of \$52.4 million (MM) as of September 30, 2020.
- The bank operates one full-service branch in Coldwater, Kansas.
- The bank's primary business focus is agricultural lending.

TABLE 1 COMPOSITION OF LOAN PORTFOLIO AS OF SEPTEMBER 30, 2020		
Loan Type	\$(000)	%
Agricultural	18,157	68.1
Residential Real Estate	4,340	16.3
Commercial	3,367	12.6
Consumer	686	2.6
Other	98	0.4
Gross Loans	\$26,648	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its November 29, 2016 performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

DESCRIPTION OF ASSESSMENT AREA

The bank’s AA is comprised of Comanche County, Kansas, in its entirety (see Appendix A for an AA map).

- The AA is comprised of one middle-income census tract, representing no change since the prior evaluation.
- According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks first of two FDIC-insured institutions operating in the AA, with a deposit market share of 52.5 percent.
- To enhance the CRA evaluation and to determine the specific credit needs of the AA, one member of the community was interviewed. The community member represented a local cooperative operating throughout southern Kansas, including Comanche County.

TABLE 2 POPULATION CHANGE			
Area	2010 Population	2015 Population	Percent Change
Comanche County	1,891	2,010	6.3
Nonmetropolitan Kansas	929,981	922,403	(0.8)
State of Kansas	2,853,118	2,892,987	1.4
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey</i>			

- The AA has experienced an increase in population over the past five years; however, a member from the community stated that Comanche County is an aging community that is also very rural. Additionally, upon graduation, many students move out of the area to attend college or to seek higher paying jobs.

**TABLE 3
MEDIAN FAMILY INCOME CHANGE**

Area	2010 Median Family Income	2015 Median Family Income	Percent Change
Comanche County	55,469	59,083	6.5
Non-MSA Kansas	57,322	57,229	(0.2)
State of Kansas	67,977	66,389	(2.3)

Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey

Note: Median family incomes have been inflation-adjusted and are expressed in 2015 dollars.

- According to the 2015 American Community Survey data, 36.9 percent of families within the AA are considered LMI which is comparable to both the statewide and nonmetropolitan figures at 36.5 percent and 37.9 percent, respectively.
- Additionally, 4.1 percent of AA families live below the poverty level which is below both the statewide and the nonmetropolitan figures at 9.1 percent and 10.2 percent, respectively.

**TABLE 4
HOUSING COSTS CHANGE**

Area	Median Housing Value		Percent Change	Median Gross Rent		Percent Change
	2010	2015		2010	2015	
Comanche County	42,500	61,800	45.4	363	511	40.8
Non-MSA Kansas	81,447	88,625	8.8	560	623	11.3
State of Kansas	122,600	132,000	7.7	671	757	12.8

Source: 2006-2010 U.S. Census Bureau: American Community Survey
2011-2015 U.S. Census Bureau: American Community Survey

- The median age of housing stock in the AA at 61 years and is older than both the nonmetropolitan figure of 54 years and the statewide figure of 43 years.

**TABLE 5
UNEMPLOYMENT RATES**

Region	2015	2016	2017	2018	2019
Comanche County	3.3	3.1	2.9	2.4	2.6
Non-MSA Kansas	4.1	4.1	3.5	3.1	3.1
State of Kansas	4.2	4.0	3.6	3.3	3.2

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

- A community member indicated farming and healthcare are the largest employers in the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Net Loan-to-Deposit Ratio

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to the ratios of similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and proximity to the AA. The bank’s NLTD ratio is reasonable.

TABLE 6 COMPARATIVE NLTD RATIOS			
Institution	Location	Asset Size (\$000s)	NLTD Ratio (%)
			17-Quarter Average
Peoples Bank	Coldwater, Kansas	52,449	59.4
The Farmers State Bank of Bucklin, Kansas	Bucklin, Kansas	52,929	55.3
The Bank of Protection	Protection, Kansas	73,177	86.4
Ford County State Bank	Spearville, Kansas	44,074	72.0

Assessment Area Concentration

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. A majority of the bank’s loans, by number and dollar, are originated inside the AA.

TABLE 7 LENDING INSIDE AND OUTSIDE THE AA								
Loan Type	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Small Farm Loans	35	2,333	74.5	59.6	12	1,585	25.5	40.4
Secured Consumer Loans	36	412	90.0	79.4	4	107	10.0	20.6
Total Loans	71	2,746	81.6	61.9	16	1,692	18.4	38.1

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts. The bank’s geographic distribution of loans throughout the AA was not evaluated as the AA consists of one middle-income census tract and the analysis would not have been meaningful.

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

This performance criterion evaluates the bank’s lending to borrowers of different income levels and farms of different revenue sizes. The bank’s lending has a reasonable penetration among individuals of different income levels and farms of different sizes.

Small Farm Lending

The borrower distribution of small farm lending is reasonable. The bank’s lending to small farms with gross annual revenues of \$1MM or less was below the percentage of small farms in the AA. Additionally, the community contact stated that the two banks in the area are meeting the credit needs of the community.

TABLE 8 DISTRIBUTION OF 2016 – 2019 SMALL FARM LENDING BY REVENUE SIZE OF FARMS					
	Bank Loans				Total Farms
	#	\$(000)	#%	\$%	%
By Revenue					
\$1 Million or Less	24	1,794	68.6	76.9	100.0
Over \$1 Million	1	300	2.9	12.9	0.0
Not Known	10	240	28.6	10.3	0.0
Total	35	2,333	100.0	100.0	100.0
By Loan Size					
\$100,000 or less	28	931	80.0	39.9	
\$100,001 – \$250,000	5	831	14.3	35.6	
\$250,001 – \$500,000	2	572	5.7	24.5	
Total	35	2,333	100.0	100.0	
By Loan Size and Revenue \$1 Million or Less					
\$100,000 or less	18	691	75.0	38.5	
\$100,001 – \$250,000	5	831	20.8	46.3	
\$250,001 – \$500,000	1	272	4.2	15.1	
Total	24	1,794	100.0	100.0	
Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey NOTE: Percentages may not add up to 100.0 due to rounding.					

Other Secured Consumer Lending

The borrower distribution of other secured consumer lending is excellent. The bank's lending to LMI borrowers exceeded the percentage of LMI households.

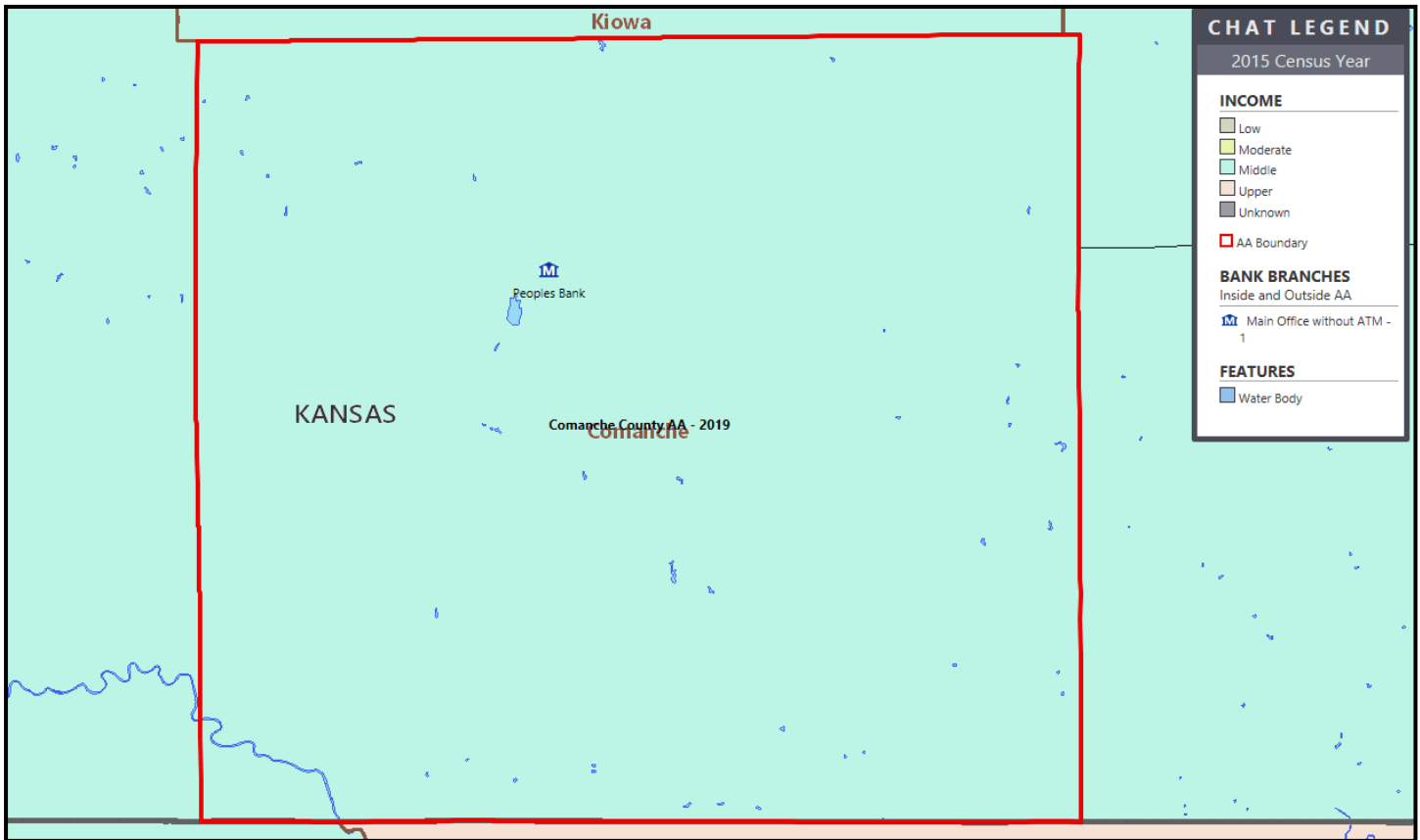
TABLE 9 DISTRIBUTION OF 2016 – 2019 OTHER SECURED CONSUMER LENDING BY BORROWER INCOME LEVEL					
Borrower Income Level	Bank Loans				% of Households
	#	\$(000)	#%	\$%	
Low	11	91	30.6	22.1	20.9
Moderate	9	121	25.0	29.3	19.9
Middle	2	14	5.6	3.3	16.8
Upper	3	77	8.3	18.7	42.4
Unknown	11	110	30.6	26.7	0.0

Source: 2019 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
NOTE: Percentages may not add up to 100.0 due to rounding.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION

TABLE B-1 2019 COMANCHE COUNTY AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	91	17.1
Moderate	0	0.0	0	0.0	0	0.0	105	19.8
Middle	1	100.0	531	100	22	4.1	126	23.7
Upper	0	0.0	0	0.0	0	0.0	209	39.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1	100.0	531	100.0	22	4.1	531	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	993	604	100.0	60.8	180	18.1	209	21
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	993	604	100	60.8	180	18.1	209	21.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	90	100.0	80	100.0	7	100.0	3	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	90	100.0	80	100.0	7	100.0	3	100.0
Percentage of Total Businesses:			88.9		7.8		3.3	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	30	100.0	30	100.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	30	100.0	30	100.0	0	0.0	0	0.0
Percentage of Total Farms:			100.0		0.0		0.0	
Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey NOTE: Percentages may not add up to 100.0 due to rounding.								

APPENDIX C – GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.