



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 13, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The St. John National Bank
Charter Number 7844**

**116 East Third Avenue
St. John, KS 67576**

**Comptroller of the Currency
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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 CRA RATING.....	2
DESCRIPTION OF INSTITUTION	3
DESCRIPTION OF ASSESSMENT AREA	3
CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....	4

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- St. John National Bank's quarterly average loan-to-deposit ratio of 63 percent is satisfactory and slightly below the 71 percent quarterly average loan-to-deposit ratio for other banks headquartered in the assessment area.
- The majority of the bank's primary loan products have been granted to borrowers in the assessment area. The examiner's loan sample indicates 97 percent of the number, and 97 percent of the dollar volume of loans were granted in the assessment area.
- The bank's lending to residential real estate borrowers of different income levels is satisfactory. Lending to agricultural borrowers of different sizes is good. The examiner's sample indicated a satisfactory penetration of residential real estate loans to low- and moderate-income borrowers, and a good distribution of agricultural loans.

DESCRIPTION OF INSTITUTION

The St. John National Bank (SJNB) is a \$31 million financial institution headquartered in St. John, Kansas. St. John is a small rural community whose economy is agricultural based. SJNB does not have any branches or affiliates. Drive-up facilities are available at the bank location. SJNB has two automated teller machines (ATM). SJNB operates a cash dispensing ATM at the Ampride Convenience Store located in Stafford, Kansas, and the bank office has a cash dispensing ATM. St. John National Banc Company, a one-bank holding company, owns 66 percent of SJNB's common stock. On September 30, 2002, the holding company had total assets of \$3.5 million. There were no significant changes in the corporate structure since the last CRA exam.

SJNB is a full service bank offering a variety of loan products. Net loans represent 52 percent of the bank's total assets. On September 30, 2002, the bank's \$16 million loan portfolio has the following composition: agricultural loans 43 percent (\$7 million); residential real estate loans 33 percent (\$5 million); commercial loans 17 percent (\$3 million); and consumer loans 7 percent (\$1 million).

Management indicates the primary loan products, by number and dollar volume granted in the bank's assessment area (AA) between June 1, 1998, and December 31, 2002, are residential real estate loans, and agricultural loans. SJNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of the assessment area. The last CRA examination dated April 13, 1998, rated the bank's CRA "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA

SJNB's AA is all of Stafford County, Kansas. Stafford County is located in south-central Kansas and is not in a Metropolitan Statistical Area (MSA). The county contains two Block Numbering Areas (BNA) with BNA's 9706 and 9707 being middle-income tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The AA has a population of 5,365, based on 1990 US Census data. The Kansas statewide non-metropolitan median family income for 2002 is \$44,200. The AA has the following income distribution for families.

Distribution of Family Income in Assessment Area	
Income level	Percentage
Low-income Families	21
Moderate-income Families	23
Middle-income Families	24
Upper-income Families	32

Fifteen percent of the households have incomes below the poverty level, 40 percent receive social security, and 7 percent receive public assistance. Thirty-three percent of the population is not in the workforce, 2 percent are unemployed, and 23 percent are over the age of 65. The median housing value is \$23,578, and 63 percent of the housing units are owner occupied.

Competition in the area is strong. SJNB is one of six banks located in the county. There are four banks, including SJNB, headquartered in the AA, and two other banks have branches in the AA. SJNB is the second largest bank with headquarters in the AA, and had 22 percent of the county's deposits on June 30, 2002. The largest bank headquartered in St. John had 33 percent of the county's deposits.

Agriculture dominates the local economy, with the primary products being growing crops and cattle. Stafford County's local economy is also driven by oil production. Area economic conditions are slowing down due to trickle down effects of layoffs in surrounding cities. Conditions are questionable for 2003 summer crops. The area has received some moisture in the form of snow that has helped improve the 2003 crop outlook. Major employers in the area include the school district, courthouse, city and public offices, and the local USDA office. The Kansas unemployment rate for November 2002 is 4.6 percent, and the unemployment rate for Stafford County in November 2002 is 2.4 percent.

Examiners made one community contact in the Stafford County AA. The contact indicated there were no unmet credit needs in the community, and the contact indicated agricultural and residential real estate loans are vital in helping the county maintain current population levels. The contact believes local banks have been extremely fair working with borrowers to meet the credit needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SJNB's lending level is satisfactory. The average quarterly loan-to-deposit ratio the past 12 quarters ending September 30, 2002, is 63 percent compared with 71 percent for the three other banks headquartered in the AA. The average quarterly loan-to-deposit ratio over the same period for this group ranged from 58 percent to 79 percent.

Lending in Assessment Area

SJNB's lending in its AA is outstanding since it extends the vast majority of its primary loan products in the AA. To determine the loan distribution, we selected a sample of 40 loans originated from June 1, 1998, to December 31, 2002. The sample consists of 20 agricultural loans and 20 residential real estate loans. These loans represent the majority of the loans originated in that time period. The table below shows the bank's lending in the AA.

Lending in the Assessment Area	
Percent by Number	Percent by Dollar
97	97

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

SJNB's lending to borrowers of different incomes and businesses of different sizes is satisfactory. We analyzed samples of loans to agricultural and residential real estate borrowers since those loan products represent the majority of loans originated in the past two years. The community contact identified these two loan products as helping to meet the community credit needs.

Lending to agricultural borrowers of different sizes is good. We selected a sample of 20 agricultural loans granted in the AA since January 1, 2001, which represents approximately 4 percent of the farms in the county. The following table indicates 95 percent of the loans in the sample and 91 percent of the dollar amount of those loans were granted to agricultural operations with annual gross revenues less than \$1,000,000. This distribution compares favorably to Dunn and Bradstreet agricultural information for Stafford County, which shows 96% of annual gross revenues are less than \$1,000,000.

Sample of Agricultural Loans Granted Since Last CRA Examination			
Gross Revenue	Number	Percentage of Number of Loans	Percentage of Dollar Amount of Loans
Less than \$100,000	6	30	13
\$100,000 to \$249,999	10	50	54
\$250,000 to \$499,999	1	5	0
\$500,000 to \$999,999	2	10	24
Over \$1,000,000	1	5	9
Total	20	100	100

Lending to residential real estate borrowers of different income levels is satisfactory. Lending to low-income borrowers is adequate. SJNB made 15 percent of its residential real estate loans to low-income families compared to demographic data showing 21 percent of the families are low-income. Lending to moderate-income borrowers is good. SJNB made 45 percent of its residential real estate loans to moderate-income families compared to demographic data showing 23 percent of the families have moderate income. Management stated some of the low- and moderate-income families choose to rent housing in the AA, and therefore do not apply for residential real estate loans. Demographic data shows 20 percent of the housing in the AA are rental occupied units, and 17 percent are vacant housing units. The following table indicates the bank's overall lending to low- and moderate-income borrowers is satisfactory compared to the family income demographics.

Lending to Borrowers of Different Income Levels Residential Real Estate			
Borrower Income Level	Percentage of The Number	Percentage of The Dollar Volume	Percentage of Families in Income Category
Low-income	15	21	21
Moderate-income	45	33	23
Middle-income	30	26	24
Upper-income	10	20	32
Total	100	100	100

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans would not be meaningful. The bank's AA contains no low- or moderate-income tracts.

Responses to Complaints

The bank has not received any CRA-related complaints since the previous CRA related examination.

Fair Lending Review

An analysis of 1998, 1999, 2000, 2001, 2002, and year-to-date 2003 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.