



## **PUBLIC DISCLOSURE**

January 27, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Stockton National Bank  
Charter Number 7815

123 North Cedar  
Stockton, KS 67669

Office of the Comptroller of the Currency

2959 N. Rock Road, Suite 510  
Wichita, KS 67226

**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.

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

- The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the credit needs within the assessment area (AA).
- The institution meets the credit needs of the community by originating a majority of loans inside the AA.
- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes.

**SCOPE OF EXAMINATION**

This evaluation includes a full scope review of The Stockton National Bank's (SNB) performance pursuant to the Community Reinvestment Act (CRA). The objective of the evaluation is to assess the institution's lending performance in meeting the credit needs of its assessment area (AA). We assessed the lending performance by sampling primary loan products purchased or originated from the period of January 1, 2012 to December 31, 2014. Our review focused on 20 agriculture and 20 commercial loans, as we determined these to be the bank's primary products.

**DESCRIPTION OF INSTITUTION**

SNB is an intrastate bank headquartered in Stockton, KS. SNB is wholly owned by Stockton Bancshares, Inc. In addition to the main branch, SNB operates additional branches in Hill City, Bogue, Norton, and Lenora, KS. SNB opened all branches during the assessment period. There were no branch closings during this period. As of December 31, 2014, the bank reported total assets of \$164 million.

SNB offers traditional banking products and services. While the bank's primary focus is agriculture lending, in order to meet the needs of the community, SNB also offers small business, consumer, and residential loan products. As of the December 31, 2014 Call Report, loans totaled \$107 million and represented 65 percent of the institution's total assets. The loan portfolio mix is as follows: 7 percent in 1-4 family residential mortgages; 36 percent in commercial related loans; 53 percent in agriculture loans; 4 percent in consumer loans; and less than 1 percent in other loan categories.

A CRA Performance Evaluation (PE) was last prepared on December 29, 2008, with a "Satisfactory" rating assigned.

There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs in the AA.

## **DESCRIPTION OF ASSESSMENT AREA**

SNB designated a single assessment area for the institution. The AA consists of Ellis, Graham, Norton, Osborne, Phillips, Rooks, Russell, Smith, and Trego counties. The AA consists of whole counties; no low- or moderate- income areas are arbitrarily excluded. Federal agencies designated Norton, Phillips, Rooks, and Trego counties as underserved; and Graham, Osborne, and Smith counties as distressed and underserved. The AA is comprised of 20 census tracts (CT); 18 middle- (90 percent), and 2 upper- (10 percent) income tracts.

Based on 2010 Census data, the AA reports a total population of 65,225. There are 32,788 total housing units located within the AA; 61 percent are owner-occupied, 24 percent are renter-occupied, and 15 percent are vacant. The median price of housing is \$83,618.

Per the Census data, there are 27,914 households (HH) in the AA; 25 percent are considered low-income, 18 percent are moderate-income, 18 percent are middle-income, and 39 percent are upper-income. Approximately 15 percent of HHs reported income below the poverty level, and 13 percent of HHs are in retirement. (*2010 U.S. Census*)

There are 7,587 businesses within the AA; 19 percent of which are farms, and 81 percent are non-farm. 76 percent of total businesses reported revenues of less than \$1 million, while 4 percent reported revenues exceeding \$1 million (the remaining 20 percent were not reported). Major industries by business include; services (34 percent), agriculture (19 percent), and retail trade (11 percent). (*2010 U.S. Census*)

As of the June 30, 2014 FDIC Market Share report, SNB's deposits totaled \$93.3 million, or 4 percent of the market share. SNB faces moderate to high competition within the AA, with a total of 30 financial institutions holding portions of the deposit market share.

We conducted an interview with a community group within the AA to further our understanding of the community's credit needs. The community contact stated that while overall, they felt that local institutions did a good job in meeting the needs of the community, the area could benefit from additional small business/startup loans.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The lending test is based on the following five factors: loan-to-deposit ratio, lending within the AA, income distribution, geographic distribution, and responses to CRA related complaints.

## Loan-to-Deposit Ratio

SNB's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. SNB's quarterly average LTD ratio from December 31, 2008 to December 31, 2014 was 76 percent. The institution's LTD ratio ranged from a high of 105 percent to a low of 61 percent during this period. The average LTD ratio of similarly situated financial institutions over the same period was 66 percent; with a high of 93 percent and a low of 40 percent.

## Lending in Assessment Area

SNB originates a majority of loans within the AA, which meets the standard for satisfactory performance. Based on our judgmental sample of 40 loans from the lending evaluation period, 35, or \$1.73 million were originated inside the AA, while five, or \$538 thousand were outside the AA. This equates to 87.50 percent by number or 76.24 percent by dollar volume of loans originated within the AA. The table below illustrates the bank's level of business and agriculture lending within its AA.

Lending in AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	17	85.00%	3	15.00%	20	\$902	80.36%	\$220	19.64%	\$1,122
Commercial Loans	18	90.00%	2	10.00%	20	\$824	72.18%	\$318	27.82%	\$1,142
Totals	35	87.50%	5	12.50%	40	\$1,726	76.24%	\$538	23.76%	\$2,265

*Source: loan origination report*

## Lending to Farms and Businesses of Different Sizes

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes.

## Agriculture Loans

The bank's distribution of farm loans within the AA reflects reasonable penetration among farms of various sizes. Loans to farms with annual revenues of \$1 million or less accounted for 95 percent of sampled farm loans. This volume is reasonable compared to demographic data, which reflects 99 percent of the AA's farms report revenues less than or equal to \$1 million. The table below illustrates the bank's level of lending to farms of different sizes.

<b>Borrower Distribution to Farms</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Farms	99.10%	0.77%	0.13%	100.00%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100.00%
% of Bank Loans in AA by \$	88.91%	11.09%	0.00%	100.00%

*Source: Bank reports; 2010 U.S. Census data*

### **Business Loans**

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. While demographic information reflects 70 percent of AA businesses reporting revenues less than or equal to \$1 million, SNB originated 95 percent of loans to small businesses with annual revenues of \$1 million or less. Of note, annual revenue data was unavailable for nearly 25 percent of AA businesses. Please see the table below for additional information.

<b>Borrower Distribution to Businesses</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	70.39%	4.76%	24.85%	100.00%
% of Bank Loans in AA by #	95.00%	5.00%	0.00%	100.00%
% of Bank Loans in AA by \$	94.54%	5.46%	0.00%	100.00%

*Source: Bank reports; 2010 U.S. Census data*

### **Geographic Distribution of Loans**

A geographic analysis would not provide meaningful results as all census tracts in the AA are designated as middle- or upper- income geographies.

### **Responses to Complaints**

Neither the Office of the Comptroller of the Currency nor the bank received any complaints about its CRA performance during the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.