

Public Disclosure

October 18, 1999

Community Reinvestment Act Performance Evaluation

**Stone County National Bank
Charter Number 18008**

**1 National Bank Plaza
Crane, Missouri 65633**

**Comptroller of the Currency
Midwestern District
Kansas City South Field Office
1710 East 32nd Street
Joplin, Missouri 64804**

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 Stone County National Bank, Crane, Missouri prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 18, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

Stone County National Bank is helping to meet the credit needs of its assessment area.

- The bank's loans are reasonably distributed to borrowers of various income levels.
- The majority of the bank's loans are made within its assessment area.
- The bank's loan-to-deposit ratio is reasonable based on its competitive environment and opportunities for loan growth within the assessment area. The loan-to-deposit ratio since the last Performance Evaluation has averaged 62%.

DESCRIPTION OF INSTITUTION

Stone County National Bank is located in Crane, Missouri. The bank has \$55 million in total assets, of which loans were \$27 million (49% of total assets), according to the September 30, 1999, Report of Condition. The bank is 96% owned by Stone County National Bancshares, Inc., a one-bank holding company, also located in Crane, with the bank as its primary asset. The bank has branches in Cape Fair, Reeds Spring, and Galena, Missouri offering drive up services. Automated teller machines (ATM) service is also provided in Crane and Reeds Spring. The bank offers a variety of loan products, including consumer, commercial, residential real estate, and agricultural loans. Consumer and commercial loans are the primary focus of the bank's portfolio. Conclusions are based on a sample of consumer, commercial, and residential real estate loan originations from August 1996 to October 1999. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation. The bank received a "Satisfactory record of meeting community credit needs" at its last Performance Evaluation dated August 6, 1996.

Loan Portfolio as of September 30, 1999		
Loan Type	Dollar Amount (\$000)	Percent
Construction & Development	600	2%
1 - 4 Family Residential	10,559	38%
Farmland	1,888	7%
Commercial Real Estate	3,440	13%
Ag Production	2,578	9%
Commercial	3,131	11%
Consumer	5,222	19%
Other Purposes	79	0%
Total	27,497	99%

Loan Originations by Type since August 1996				
Loan type	#	%	\$ (in 000's)	%
Consumer	3,011	66%	14,571	39%
Commercial	633	14%	8,480	23%
Real Estate	312	7%	7,901	21%
Agricultural	575	13%	6,068	16%
Total	4,531	100%	37,020	99%

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Stone County. The AA contains five Block Numbering Areas (BNAs), and is not located in a Metropolitan Statistical Area (MSA). There are no low-income or moderate-income tracts in the AA. 100% of the BNAs in the AA are designated middle-income.

The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. One independently owned bank and several large bank branches provide competition within the AA.

The population of the AA is 19,078 and includes 7,936 households. Low-income families represent 17% of the AA population with the remainder as follows: 19% moderate-income, 27% middle-income, and 37% upper-income families. Approximately 15% of the total households fall below the poverty level income. The estimated 1999 statewide median family income for a non-MSA is \$34,900. Owner occupied housing represents 57% of total housing in the AA, with a median housing value of \$56,413. Tourism, small manufacturing, retail businesses, and agriculture dominate the economy of this area. Major employers in the AA include school districts, medical facilities, and services. Unemployment is low at approximately 3%.

Examiners interviewed two community contacts to discuss the community's credit needs. One contact was in city government and the other was in publishing. The contacts identified housing, and small business development loans as the credit needs in this community. They also indicated the economic conditions in the county have been improving, but the level of community development opportunities is limited for banks.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

Stone County National Bank's performance of lending to borrowers of different incomes and businesses of different sizes is good. Examiners reviewed a sample of the bank's primary product types, consumer loans and business loans. Additionally, examiners reviewed a sample of 1-4 family residential real estate loans. Based on a sample of loan origination from August 1996 through October 1999, management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers, as well as small businesses. The tables on the following page summarize originations by number and dollar amount of loans to each income designation within the AA:

Sample of Consumer Loan Originations					
Income Designation for Borrower	% of families in Income Category	Originations by \$ (in 000's)	Dollars as a percent of total	Originations by #	Number of loans as percent of total
Low	17%	\$19	18%	5	25%
Moderate	19%	\$9	8%	3	15%
Middle	27%	\$29	27%	4	20%
Upper	37%	\$51	47%	8	40%
Total	100%	\$108	100%	20	100%

Sample of Residential Real Estate Originations					
Income Designation for Borrower	% of families in Income Category	Originations by \$ (in 000's)	Dollars as a percent of total	Originations by #	Number of loans as percent of total
Low	17%	\$36	4%	2	10%
Moderate	19%	\$186	23%	5	25%
Middle	27%	\$88	11%	4	20%
Upper	37%	\$498	62%	9	45%
Total	100%	\$808	100%	20	100%

The following table shows 95% of the commercial/industrial loan originations were to businesses with revenues less than \$1 million:

Sample of Commercial/Industrial Loan Originations				
Revenue Size	# in AA	% of Businesses in the AA	# of Originations from sample	% of Originations in sample
Businesses w/revenues less than \$1 million	620	94%	19	95%
Businesses w/revenues greater than \$1 million	43	6%	1	5%
Totals	663	100%	20	100%

Based on our sample, annual sales of less than \$1million for small businesses are further segregated as follows:

Gross Revenue	#	% by #	\$ (in 000's)	% by \$
< \$100M	12	63%	\$213	33%
\$100 < \$250M	5	26%	\$318	49%
\$250 < \$1MM	2	11%	\$124	19%
Totals	19	100%	\$ 655	101%

Geographic Distribution of Loans

An analysis of the geographic distribution of the bank's loans within the AA would not be meaningful. All five BNAs in the AA are middle-income.

Lending in Assessment Area

Stone County National Bank's record of lending within its assessment area is good. A majority of all loans made are located within the AA. The primary credit products were determined to be consumer loans, business loans and real estate loans. Based on our sample of originated loans since the last examination, 77% by number and 80% by dollar amount are within the bank's AA. The following table reflects the specific findings by product line:

Percent of Originations by Number & Dollar								
	Consumer		Commercial		Real Estate		Total	
	#	\$	#	\$	#	\$	#	\$
In the assessment area	70%	77%	85%	93%	75%	66%	77%	80%
Out of the assessment area	30%	23%	15%	7%	25%	34%	23%	20%

Loan-to-Deposit Ratio

Stone County National Bank's loan-to-deposit ratio is reasonable based on the opportunities for loan growth within the assessment area. The quarterly loan-to-deposit ratio since the last Performance Evaluation has averaged 62%. The bank's loan to deposit ratio has ranged from 57% in third quarter 1999 to a high of 67% in the second quarter of 1997. The average loan-to-deposit ratio of the national peer group of banks was 69%, ranging from 66% to 73%. There are no similarly situated banks in the AA for a comparison. There is one other independent bank in the county, but it serves a different market.

Record of Compliance with Antidiscrimination Laws

Stone County National Bank is in compliance with the applicable antidiscrimination laws. No violations of fair lending laws were found from a review of auto loans. The scope of the review compared denied single female applicants to approved single male applicants from July 1999 to August 1999.

Response to Complaints

Stone County National Bank has not received any complaints from the public since the last CRA evaluation.