



PUBLIC DISCLOSURE

October 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The St. John National Bank
Charter Number 7844

Third and Broadway
St. John, KS 67576

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

- St. John National Bank's (SJNB) quarterly average loan-to-deposit (LTD) ratio is reasonable. The quarterly average LTD ratio since the last Community Reinvestment Act (CRA) examination is 66 percent. This is comparable to the 60 percent quarterly average LTD ratio for the two peer institutions with locations in the Assessment Area (AA).
- SJNB granted a majority of its primary loan product in the AA. The loan sample indicates SJNB granted 80 percent of the loans by number and 51 percent by dollar volume to borrowers within the AA.
- SJNB demonstrated reasonable penetration in lending to farms of different sizes. The agricultural loan sample indicated SJNB granted 65 percent of loans to farms with annual revenues less than or equal to \$1 million.

SCOPE OF EXAMINATION

This examination included a full-scope review of SJNB's single AA, Stafford County, Kansas. Examiners identified agricultural loans as the primary loan product granted since the April 18, 2007 CRA examination. The evaluation included a review of 20 agricultural loans originated or purchased from January 1, 2010 to December 31, 2011. SJNB's business strategy has not changed; therefore, the loans granted during the assessment period are representative of all loans granted since the previous CRA examination.

DESCRIPTION OF INSTITUTION

SJNB is an \$81.6 million bank located in St. John, Kansas. The bank is a wholly owned subsidiary of SJN Banc Co., a one-bank holding company located in St. John, Kansas. The holding company had total assets of \$9.6 million as of June 30, 2013. In addition to the main office in St. John, the bank purchased branches in Macksville, Kansas and Hudson, Kansas during the evaluation period. The St. John and Macksville branch each offer a drive-up facility and an Automated Teller Machine (ATM). Both ATMs are cash dispensing only and do not accept deposits. During the evaluation period, SJNB added the ATM at the Macksville location and discontinued the operation of an ATM at the Ampride Convenience Store in Stafford, Kansas.

SJNB is a full-service bank offering a variety of loan and deposit products. As of June 30, 2013, net loans and leases represented 55 percent of the bank's total assets. The \$45 million loan portfolio has the following composition: 33 percent real estate, 32 percent agricultural, 23 percent commercial, 5 percent consumer, and 7 percent other.

The primary lending product granted since the previous CRA examination, by dollar amount, is agricultural loans. Agricultural loans account for 34 percent of the total number of loans and 43 percent of the dollar volume originated or purchased during the assessment period.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area. The Office of the Comptroller of the Currency last evaluated SJNB's CRA performance on April 18, 2007. The bank received an overall rating of "Satisfactory" under the Small Bank Performance Standards.

DESCRIPTION OF ASSESSMENT AREA(S)

The AA includes all of Stafford County Kansas. Stafford County contains two middle-income tracts. The tracts were designated as distressed and underserved non-metropolitan middle-income tracts in both 2010 and 2011. The AA complies with the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The 2000 U.S. Census population of the AA was 4,789. The Housing and Urban Development (HUD) Updated 2011 MSA Median Family Income is \$53,700. Of the 1,999 households in the AA, 39 percent receive social security, 12 percent have income below the poverty level, and 3 percent receive public assistance. Approximately 21 percent of the population is over the age of sixty-five and 39 percent of the population consists of civilians not in the workforce. The median housing value from the 2000 U.S. Census data is \$37,944 and 64 percent of the units are owner occupied.

The AA economy is dependent on agriculture and oil production. Primary employers in the area include: the public school system, city and county government, Stafford County Hospital, Stafford County Flour Mill, and Kanza Coop. The U.S. Bureau of Labor Statistics reflects a July 2013 unemployment rate for the state of Kansas and Stafford County of 5.9 and 5.4 percent, respectively.

SJNB faces little competition within the AA. St. John ranks first in market share with 48 percent of the AA deposits. Based on the Federal Deposit Insurance Corporation's (FDIC) most recent deposit market share report dated June 30, 2013; two other institutions maintain three offices in the AA. Based on the FDIC's report, St. John is the only institution with all locations inside the AA.

Examiners contacted one community professional. The contact indicated that all banks in the AA place a strong emphasis on community development. The contact identified residential housing as the primary need in the community and the local financial institutions are supporting these needs to the extent possible.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SJNB’s level of lending is satisfactory. The average quarterly LTD ratio since the last CRA examination is 66 percent. The quarterly LTD ratio fluctuated between 56 and 76 percent for the period under review. The two competitors in the AA had an average quarterly LTD ratio of 60 percent over the same period. Individually, the peer institutions had average quarterly LTD ratios of 61 and 59 percent.

Lending in Assessment Area

SJNB’s lending to borrowers within the AA is satisfactory. The bank extended a majority of the primary loan product to borrowers inside the AA. Specifically, we found the bank granted 80 percent of the total number of loans and 51 percent of the dollar volume of loans in the sample to borrowers within the AA. The sample included 20 agricultural loans originated or purchased during 2010 and 2011.

Lending to Farms of Different Sizes

SJNB demonstrated satisfactory performance in lending to farms of different sizes. The loan sample reflected the bank granted 65 percent of the number of loans to farms with annual revenues less than or equal to \$1 million. Farms of this size represent 98 percent of all farms within the AA.

Borrower Distribution of Loans to Farms in Stafford County				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	98%	1%	1%	100%
% of Bank Loans in AA by #	65%	15%	20%	100%
% of Bank Loans in AA by \$	66%	18%	16%	100%

Source: 2000 U.S. Census data and Loan Sample

Geographic Distribution of Loans

An analysis of the distribution of credit within the AA would not be meaningful, as the AA does not have any low- or moderate-income tracts.

Responses to Complaints

SJNB has not received any CRA-related complaints since the last CRA examination.

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 association’s (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 AA 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 the community credit needs.