



**Comptroller of the Currency
Administrator of National Banks**

Public Disclosure

February 23, 1998

Community Reinvestment Act Performance Evaluation

**The Stockton National Bank
Charter Number 7815**

**123 North Cedar
P.O. Box 511
Stockton, Kansas 67669**

**Office of the Comptroller of the Currency
Kansas City Duty Station
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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 CRA performance of The Stockton National Bank prepared by the Comptroller of the Currency, the institution's supervisory agency, as of February 23, 1998. 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: "Satisfactory Record of Meeting Community Credit Needs."

The Stockton National Bank (Stockton National) is a strong agricultural lender. The bank leads its national peer group in both agricultural loan categories reported in the Consolidated Report of Condition. The bank has a high percentage of its deposits invested in loans, with the majority of both in its assessment area. Management is willing to grant small loans and use flexible underwriting practices to make credit available to low- and moderate-income persons and small businesses. The bank's loan distribution by borrower income reflects good penetration among individuals and businesses of different sizes.

Description of Institution

Stockton National is a full service, \$45 million bank located in the north central Kansas community of Stockton. Stockton Bancshares, Inc., a multi-bank holding company owns 100% of the bank. The bank has one automated teller machine (ATM) in Stockton and one branch office in Woodston, Kansas. The bank's primary lending focus is agricultural loans. As of December 31, 1997, the bank's credit portfolio totaled \$36 million and consisted of 62% agricultural, 16% commercial, 16% 1-4 family residential real estate, and 6% consumer loans.

Several financial institutions in the bank's assessment area compete for the community's deposit and loan business. There are no other factors or legal impediments, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation. At the April 13, 1995 examination, the OCC assigned an "Outstanding Record of Meeting Community Credit Needs" rating.

Description of Assessment Area

Stockton National's assessment area consists of nine counties: Ellis, Graham, Norton, Osborne, Phillips, Rooks, Russell, Smith, and Trego. Based on 1990 census data, the assessment area has a population of 69,597. Ellis County has the largest population at 26,004. The city of Stockton is the county seat for Rooks County which has a population of 6,039. Stockton is 38 miles north of Hays, Kansas and Woodston is nine miles east of Stockton. The principle industries in the local area are agriculture, oil production, and education. The Unified School District #271 and Rooks County are among the largest employers in the area. The unemployment rate is low at 1%. About, 16% of the population have income which is below the poverty level. The assessment area tract characteristics by income is 0% low, 21%, moderate, 75% middle and 4% upper. The 1997 updated median family income is \$36,100. Discussions with bank management and review of past community contacts reveal that agricultural loans are the main credit needs in the bank's assessment area.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

Stockton National's average loan-to-deposit ratio is more than reasonable. For the period of March 1995 to December 1997, Stockton National consistently ranked higher than its national peer group with an average quarterly loan-to-deposit ratio of 91% compared to peer's 67%. The bank also leads its peer group in both agricultural loan categories reported in the Consolidated Report of Condition. For the last three fiscal years, the bank continues to rank in the upper 15% of its peer group. The following table provides comparative agricultural loan information for Stockton National and its peer group of more than 600 similarly situated community banks.

Uniform Bank Performance Report Three Year Trend						
Agricultural Loan Groupings	Bank Percentage**			Peer Group Percentage**		
	1995	1996	1997	1995	1996	1997
Farmland	18.35	19.08	21.66	7.62	7.66	7.77
Agricultural	41.30	39.13	38.50	12.85	13.10	13.04
Total	59.65	58.21	60.16	20.47	20.76	20.81

** Note: Shown as a percentage of gross loans.

Lending in the Assessment Area

The majority of Stockton National's loans are within the assessment area. Bank reports dated February 26, 1998, run by zip code, show that 90% of the bank's loans by number and 83% by dollar are in the bank's assessment area (AA). The number and dollar volume of loans are shown below:

As of 2/26/98	By Number	Number In AA	By Dollar	Dollar In AA
Gross Loans	1,660	1,487	\$33,402,102	\$27,857,911
Percent		90%		83%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Stockton National makes credit available to borrowers of different income levels and to businesses of different sizes throughout its assessment area. To analyze the bank's distribution by income, we analyzed a sample of commercial and agricultural loans. Using financial information as of December 31, 1997, the loan sample represented 30% of the bank's commercial and agricultural portfolios. We identified the following revenue distribution:

Gross Revenue Designation of Borrower	Market Data by % of businesses	Sample of The Stockton National Bank Comm'U/Ag Loans			
		By # of loans	By % of #	By \$(000)	By % of \$
≤ \$250,000	87%	8	79%	\$3,241	58%
\$250 - \$500,000		3		\$1,605	
> \$500 - \$999,000	6%	2	14%	\$2,592	29%
≥ \$1 million	7%	1	7%	\$1,151	13%
	100%	14	100%	\$8,589	100%

Note: The market data shown above represents the income breakdown for the 3,085 business establishments that reported revenue information.

Management uses flexible underwriting guidelines to help meet community credit needs. They are also willing to grant small loans. Of the 3,001 loans on the bank's books in 1997, 405 originated at \$2,000 or less. The bank also participates in the following government sponsored programs:

Guaranteed Loan Volumes as of December 31, 1997		
Loan Programs	Number of loans	Dollar volume of loans
SBA Loans	8	\$532,740
FmHA Loans	3	\$397,159
Student Loans	46	\$169,370

The bank does not track the volume of First Time Home Buyer grant program loans it originates. Census information shows 14% of the housing stock is vacant and 61% owner occupied. The average home costs \$33,200 and was built in 1953.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since none of the block numbering areas in the bank's assessment area are low-income. Of the 24 block numbering areas within the bank's assessment area five are moderate-income, 18 are middle-income, and one is upper-income.

Compliance with Antidiscrimination Laws and Regulations

Stockton National is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.

Response to Complaints

The bank has not received any complaints about its performance in making credit available in its assessment area..