



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 3, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Stone County National Bank
Charter Number 18008

203 Pirate Lane
Crane, MO 65633

Office of the Comptroller of the Currency
Kansas City South Field Office
1710 E. 32nd Street, Suite H
Joplin, Missouri 64804

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.

Stone County National Bank (SCNB) lending performance helps meet the community credit needs.

We based the bank's CRA rating on the following primary factors:

- SCNB's loan-to-deposit ratio reflects reasonable responsiveness to the credit needs of the community.
- Management originated a majority of the bank's lending activity inside its assessment area (AA).
- Lending activities show a reasonable penetration among individuals of different income levels.
- The bank received no complaints concerning its performance in meeting the community's credit needs.

SCOPE OF EXAMINATION

SCNB was evaluated under the Small Bank CRA examination procedures, which focus primarily on the lending test. Our objectives were to assess the bank's ability to serve and meet the community's needs within its AA. We based our analysis and conclusions on bank-provided data, which we verified during our review. SCNB's primary loan products since the last CRA examination are consumer loans by number and 1-4 family residential real estate loans by dollar. Our loan sample included originations from January 1, 2008 through March 31, 2010. To evaluate the bank's consumer and residential real estate lending performance, we selected a random sample of 20 consumer and 20 1-4 family residential real estate loans originated during the evaluation period.

DESCRIPTION OF INSTITUTION

SCNB is an \$86 million community bank headquartered in Crane, Missouri, with four full service branches in Branson West, Cape Fair, Galena, and Reeds Spring, Missouri. SCNB is 100 percent owned by Stone County Bancshares, Inc., a one-bank holding company. In addition to ATMs at the Branson West and Reeds Spring facilities, the bank also has two ATMs located offsite in Crane and Cape Fair.

The bank offers a full range of deposit and loan products and services. Residential mortgage and commercial lending are the bank's primary business focus. Deposit products and services include basic banking accounts. As of March 31, 2010, SCNB reported net loans of \$46 million, equating to 53 percent of total assets.

There are no legal or financial circumstances that impede the bank's ability to help meet the credit needs of its AA.

SCNB received a Satisfactory rating at its last CRA examination dated November 10, 2004.

DESCRIPTION OF ASSESSMENT AREA

SCNB has one AA which is comprised of Stone County. The county is located in southwest Missouri and is not part of a metropolitan statistical area. SCNB's AA consists of five middle income census tracts with a population of 28,568. Demographic data shows the 2009 median family income (MFI) is \$35,821 and the average median housing value is \$90,823. Approximately 13 percent of households have income below the poverty level. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The tourism, entertainment, and recreation industry represents the primary economic activities. The local economy has been negatively impacted by the economic downturn and sluggish real estate market as reflected by higher unemployment rates.

Major competitors in the AA include several local community banks and a few branches of large regional institutions. Competition from the other financial institutions is strong.

We conducted two community contacts during this examination. The contacts indicated the community's primary credit needs are to provide senior and retirement housing, and to accommodate growth around the Table Rock Lake area. The contacts indicated that while the economic conditions are a concern, financial institutions in the area work to the best of their ability to meet the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

SCNB's LTD ratio is reasonable given the bank's size and financial condition. The quarterly average LTD ratio was 54.16 percent over the last 20 quarters from December 2004 to December 2009. This ratio has ranged from 47 percent in the first quarter of 2008 to 63 percent in the fourth quarter of 2009. The average LTD ratio of peer banks serving Stone County and the surrounding communities is 84 percent. SCNB is located in four rural communities in Stone County, with low loan demand. Many of the banks located in the area serve larger communities outside of Stone County, such as Branson and Springfield, which have a significantly greater population and higher loan demand.

Lending in Assessment Area

SCNB originated a majority of its loans inside the bank’s AA. For the loans sampled, the bank originated 70 percent by number, and 63 percent by dollar within its AA. Refer to Table 1 below.

Table 1 - Lending in SCNB’s AA										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer Installment	14	70.00%	6	30.00%	20	\$67	67.00%	\$32	33.00%	\$99
Residential Real Estate	14	63.00%	6	37.00%	20	\$1,513	63.00%	\$889	37.00%	\$2,402
Totals	28	70.00%	12	30.00%	40	\$1,580	63.00%	\$921	37.00%	\$2,501

Lending to Borrowers of Different Incomes

SCNB has a good record of lending to borrowers of different income levels within its AA. The distribution of consumer loans and residential real estate loans reflect a reasonable penetration among individuals of different income levels.

Consumer Loans

The distribution of consumer loans to borrowers with low and moderate income is excellent. The bank exceeded the demographic ratio for low- and moderate-income households. Refer to Table 2A below.

Table 2A - Borrower Distribution of Consumer Loans in SCNB AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	19%	30%	15%	40%	22%	10%	43%	20%

Source: Indicate source, i.e., loan sample or data collected by the bank; U.S. Census data.

1-4 Family Residential Real Estate Loans

The distribution of 1-4 family residential real estate loans to borrowers with low and moderate income is reasonable. While the bank’s lending is below the demographic ratio for low-income families, this is reasonable given that the percentage of families below poverty level is 13 percent. Refer to Table 2B below.

Table 2B - Borrower Distribution of Residential Real Estate Loans in SCNB AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family	16%	5%	18%	25%	26%	30%	40%	40%

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

Geographic Distribution of Loans

An analysis of SCNB’s geographic distribution of loans is not meaningful. All census tracts in the bank’s AA are designated as middle-income tracts.

Responses to Complaints

SCNB did not receive any complaints about its performance in helping to meet the credit needs in the AA during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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