



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Stockmens National Bank of Rushville
Charter Number: 9191**

**101 Second Street
Rushville, Nebraska 69360**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 Stockmens National Bank of Rushville** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 2, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: The overall rating for this institution is **"Outstanding."**

Nebraska Assessment Area Rating: **"Outstanding."**

South Dakota Assessment Area Rating: **"Outstanding."**

The Stockmens National Bank of Rushville has demonstrated outstanding performance in serving the credit needs of its two assessment areas. A substantial majority of the bank's loans have been originated inside the assessment areas to individuals of all income levels and to businesses of all sizes. The bank offers products designed to enhance the availability of credit to low- and moderate-income individuals, small businesses, and small farms and ranches. Management and the board have provided a high level of community development services aimed at low- and moderate-income individuals.

DESCRIPTION OF INSTITUTION

The Stockmens National Bank of Rushville (SNB) is a \$109 million community bank serving portions of northwest Nebraska and southwest South Dakota. Stockmens Financial Corporation (SFC), a \$251 million holding company, owns 100% of SNB. SNB's main office is located in Rushville, Nebraska, which has a population of 1,200. Branches are located in Hay Springs, Nebraska, and Martin, South Dakota. Hay Springs is located 12 miles west of Rushville and has a population of 790. Martin is located 60 miles northeast of Rushville and has a population of 1,100. SFC purchased the Hay Springs branch in October 1996 and merged it into SNB. The Martin branch was a separately chartered bank owned by SFC until October 1997 when it was merged into SNB. Each banking office has one automatic teller machine (ATM). Additional ATMs are located in the Nebraska cities of Rushville, Hay Springs, and Chadron, and the South Dakota cities of Martin, Interior, Pine Ridge, and Rapid City.

The bank offers a full range of credit products including agricultural, commercial, consumer, and real estate loans. There are no financial or legal impediments to the bank's ability to meet the credit needs of its assessment areas.

SNB's principal lending focus is agricultural loans. The loan portfolio totaled \$74.3 million at December 31, 1997, and was comprised of 49.3% agricultural loans, 29.8% real estate loans, 10.0% consumer loans, 9.8% commercial loans, and 1.1% other loans.

DESCRIPTION OF ASSESSMENT AREAS

The bank has designated two assessment areas, one in Nebraska and one in South Dakota. The assessment areas are contiguous and are separated by the state border. They do not arbitrarily exclude low- or moderate-income geographies.

Both assessment areas are predominately dependent upon agriculture, including crop production and cattle. Crops grown in the area consist primarily of wheat and corn. Declining cattle prices in the mid-nineties negatively impacted the local economy, although cattle prices have stabilized more recently. Tourism and the Pine Ridge Native American Reservation are also important to the local economies. Major employers include local city and county governments, local school systems, and the Oglala Sioux Tribe.

SNB is the only financial institution in Rushville, Hay Springs, and Martin. However, the bank faces competition from financial institutions in Chadron and Gordon in Nebraska, and Kadoka, Mission, Phillip, and Winner in South Dakota. We conducted two community contacts. One contact was with the city of Rushville and the other was with the Martin Commercial Club. Both contacts identified the need for agricultural, housing, small business, and small consumer loans. The contacts indicated SNB was effectively helping to meet these types of credit needs in the communities.

DESCRIPTION OF THE NEBRASKA ASSESSMENT AREA

SNB has designated Box Butte, Dawes, and Sheridan Counties as its Nebraska Assessment Area. Rushville is the county seat of Sheridan County. These counties are located in northwest Nebraska. Based on the 1990 United States Census, the total population of the counties was 28,901. No portion of the Nebraska Assessment Area is located in a Metropolitan Statistical Area (MSA). The Nebraska Assessment Area consists of seven block numbering areas (BNAs). As shown in the table below, the Nebraska Assessment Area consists entirely of middle- and upper-income BNAs. This is based upon the 1990 United States Census statewide non-MSA median family income of \$27,623. The updated 1997 Nebraska non-MSA median family income is \$37,100.

NEBRASKA ASSESSMENT AREA BY BNA INCOME LEVEL		
County	BNAs	BNA Income Designation
Box Butte	9511	Middle
Box Butte	9512	Upper
Box Butte	9513	Middle
Dawes	9506	Middle
Dawes	9507	Middle
Sheridan	9516	Middle
Sheridan	9517	Middle

DESCRIPTION OF THE SOUTH DAKOTA ASSESSMENT AREA

SNB has designated all or portions of Bennett, Jackson, Mellette, Shannon, and Todd Counties as its South Dakota Assessment Area. These counties are found in the southwestern part of the state and are not located in an MSA. The assessment area includes the Pine Ridge Native American Reservation and a portion of the Rosebud Native American Reservation. Based on the 1990 U.S. Census, the total population of the assessment area was 21,874. The South Dakota Assessment Area consists of six BNAs. As shown in the following table, the South Dakota Assessment Area consists entirely of low- and moderate-income BNAs. This is based upon the 1990 U.S. Census statewide non-MSA median family income of \$25,547. The updated 1997 South Dakota non-MSA median family income is \$34,500.

SOUTH DAKOTA ASSESSMENT AREA BY BNA INCOME LEVEL		
County	BNAs	BNAs Income Designation
Bennett	9931	Moderate
Jackson	9912	Moderate
Mellette	9921	Moderate
Shannon	9936	Low
Shannon	9937	Low
Todd	9927	Low

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

SNB's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition and operating environment. The bank's average loan-to-deposit ratio for the eight quarters ending December 31, 1997, was 80.2%. This ratio is well above the average loan-to-deposit ratio of 74.1% for five similarly situated banks during the same time period. The average loan-to-deposit ratios for the five banks ranged from 62.0% to 89.4%.

Lending in the Assessment Areas

SNB originates a substantial majority of its loans within the two assessment areas. We reviewed a sample of 212 loans originated in 1996 and 1997 for agricultural, mobile home, consumer, and residential real estate purposes. The following table shows the bank's lending pattern in the two assessment areas.

PERCENTAGE OF LOANS ORIGINATED WITHIN ASSESSMENT AREAS (AAs)		
Loan Type	Nebraska	South Dakota
Agricultural/Business	97.0%	85.7%
Mobile Homes	97.1%	100.0%
Consumer	97.4%	94.4%
Residential Real Estate	95.1%	80.0%
Total % of Loans Within AA	96.6%	89.4%

Geographic Distribution of Loans

The geographic distribution of loans made by SNB is consistent with the income demographics of the two assessment areas. We analyzed 200 loans originated in the two assessment areas between January 1996 and December 1997. The Nebraska Assessment Area is comprised of six middle-income BNAs (85.7%) and one upper-income BNA (14.3%). There are no low- or moderate-income BNAs. The following table shows the percentage of loans by loan type made within the Nebraska Assessment Area according to BNA income level.

NEBRASKA ASSESSMENT AREA GEOGRAPHIC LOAN DISTRIBUTION BASED UPON BNA INCOME LEVEL			
Loan Type	Percent of Loans in Middle-income BNAs	Percent of Loans in Upper-income BNAs	Total
Agricultural/Business	100%	0%	100%
Residential Real Estate	100%	0%	100%
Mobile Homes	100%	0%	100%
Consumer	100%	0%	100%

The South Dakota Assessment Area is comprised of three middle-income BNAs (50%) and three low-income BNAs (50%). There are no moderate- or upper-income BNAs. The following table shows the percentage of loans by loan type made within the South Dakota Assessment Area according to BNA income level.

NEBRASKA ASSESSMENT AREA GEOGRAPHIC LOAN DISTRIBUTION BASED UPON BNA INCOME LEVEL			
Loan Type	Percent of Loans Originated in Low- income BNAs	Percent of Loans Originated in Moderate-income BNAs	Total
Agricultural/Business	8.3%	91.7%	100.0%
Residential Real Estate	8.3%	91.7%	100.0%
Mobile Homes	97.0%	3.0%	100.0%
Consumer	91.9%	8.1%	100.0%

SNB shows excellent penetration of low-income BNAs for mobile home and consumer loans in the South Dakota Assessment Area. The low-income BNAs are located on Native American Reservations, resulting in limited residential real estate lending opportunities for banks. Also, much of the reservation land is not used for farm production purposes, which impacts the volume of agricultural lending in these BNAs.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank’s distribution of loans reflects strong penetration of lending to individuals and businesses of different income levels and sizes.

Lending to Individuals of Different Incomes

Small consumer loans are a credit need within the bank’s assessment areas. We sampled a total of 74 unsecured consumer loans originated in both assessment areas between November 1997 and December 1997. Unsecured consumer loans are a significant component of the bank’s loan portfolio by number. During this period, the bank originated 1,015 consumer unsecured loans totaling \$2.2 million, or an average loan amount of \$2,147. Income data is based on the 1997 updated median family income of \$37,100 for Nebraska and \$34,500 for South Dakota. The following tables summarize the results of our analysis.

NEBRASKA ASSESSMENT AREA DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME LEVEL			
Income Level of Borrower	Loan Sample (Based on Updated 1997 Nebraska Non-MSA Median Family Income of \$37,100)		Family Distribution Within Each Income Category (Based on 1990 Nebraska Non-MSA Median Family Income of 27,623)
	Number of Consumer Loans Reviewed	Percent of Consumer Loans Reviewed	
Low Income	21	56.8%	19.1%
Moderate Income	4	10.7%	19.3%
Middle Income	5	13.6%	21.7%
Upper Income	7	18.9%	39.9%
Total	37	100.0%	100.0%

SOUTH DAKOTA ASSESSMENT AREA DISTRIBUTION OF CONSUMER LOANS BY BORROWER INCOME LEVEL			
Income Level of Borrower	Loan Sample (Based on Updated 1997 South Dakota Non-MSA Median Family Income of \$34,500)		Family Distribution Within Each Income Category (Based on 1990 Nebraska Non-MSA Median Family Income of 25,547)
	Number of Consumer Loans Reviewed	Percent of Consumer Loans Reviewed	
Low Income	19	51.4%	48.0%
Moderate Income	14	37.8%	18.9%
Middle Income	4	10.8%	15.7%
Upper Income	0	0.0%	17.4%
Total	37	100.0%	100.0%

Our analysis shows that SNB actively lends to individuals of all income levels in both assessment areas. Of the consumer unsecured loans sampled in the South Dakota Assessment Area, 79% were made to low- or moderate-income individuals. And of the consumer unsecured loans sampled in the Nebraska Assessment Area, 67% were made to low- or moderate-income individuals. These percentages are well in excess of demographics for low- and moderate-income individuals in both assessment areas, and reflect management's efforts to help meet the credit needs for small consumer loans.

Lending to Businesses of Different Revenue Sizes

SNB's lending pattern shows good distribution of loans among businesses of different revenue sizes. We sampled 47 agricultural and business loans originated between June 1996 and February 1998. The following table shows the results of our analysis.

LOANS TO BUSINESSES AND FARMS/RANCHES OF DIFFERENT SIZES WITHIN ASSESSMENT AREA				
Annual Revenue Size (\$000)	Nebraska		South Dakota	
	Number of Loans	Percent of Sample	Number of Loans	Percent of Sample
Less Than \$500	25	83.3%	10	58.9%
Between \$500-\$1,000	2	6.7%	3	17.6%
Above \$1,000	3	10.0%	4	23.5%
Total	30	100.0%	17	100.0%

The table illustrates that SNB makes a significant percentage of its loans to businesses and small farms and ranches with annual revenues of less than \$500M. This demonstrates that SNB is effectively serving the credit needs of small businesses and small agricultural operations.

Lending to Individuals on Native American Reservations

SNB does a significant amount of lending to Native Americans living on the Pine Ridge Native American Reservation. As of October 1997, SNB had \$12.5 million in loans to individuals and businesses/farms on the Pine Ridge Native American Reservation. Of this amount, \$7.7 million was for commercial/agricultural loans, \$4.4 million was for consumer loans, and \$0.4 million was for housing-related loans. Also, SNB indirectly financed \$1.2 million in consumer loans to individuals living on the Pine Ridge Native American Reservation through 12 local merchants and automobile dealers.

Working with the Native American Lakota Fund in Kyle, South Dakota, SNB loaned \$240,000 for a commercial center on the reservation, including restaurants and retail stores. These loan funds also provided for 10 housing units for low- or moderate-income individuals, as well as operating expenses for the Native American Lakota Fund.

Governmental Loan Programs

SNB participates in several governmental loan programs. Working with the Bureau of Indian Affairs, SNB has loaned \$232,000 to businesses owned by Native Americans living on the Pine Ridge Native American Reservation. SNB has \$4.1 million in agricultural loans guaranteed by the Farm Services Agency. And the bank has \$476,000 in business loans guaranteed by the Small Business Administration.

Community Development Lending

The bank, in concert with the Rural Community Development and the Rushville Housing Authority, loaned \$300,000 to finance 20 housing units for low income elderly and disadvantaged persons in Rushville. In cooperation with the South Dakota Housing Authority, the bank loaned \$480,000 to finance 20 housing units for low- or moderate-income individuals in Martin.

Response to Complaints

No complaints have been received regarding the bank's CRA performance since the prior CRA Performance Evaluation.

Record of Compliance with Anti Discrimination Laws

Our fair lending examination did not find any evidence of discrimination or practices intended to discourage applicants from applying for credit.

SERVICES

Community Development Services

The bank has shown exemplary performance in offering services that directly benefit low- or moderate-income individuals and small businesses in its assessment areas.

Management has taken the lead in providing increased access to banking services in the Pine Ridge Native American Reservation and other low- or moderate-income areas. SNB has been approved to operate a mobile branch that will bring a wide range of banking services directly to the Pine Ridge Native American Reservation. The mobile branch will begin operation in April 1998. It will provide the availability of credit and other banking services directly on the reservation. The mobile branch will offer the same services as other branch locations. SNB has purchased and fully equipped a mobile unit that will make regular stops in Pine Ridge and Kyle several times a week. The bank currently has an ATM in Pine Ridge.

The bank has increased accessibility of banking services to its local communities by opening new ATMs and expanding banking hours. During 1997, the bank provided Saturday banking at the Martin branch and opened a new ATM in Interior, South Dakota.

SNB developed an educational program to educate local residents, including low- and moderate-income individuals, about all aspects of banking services and obtaining credit. Bank employees have conducted classes on the Pine Ridge Native American Reservation in Pine Ridge and Kyle, and in Martin. Class topics have included deposit accounts, budgeting, the credit application process, and the importance of good credit history.

SNB won the 1996 South Dakota Banking Association Community Services Award for developing a career and health awareness day for high school students in Martin, which is located in a moderate-income BNA. Guest speakers included representatives from colleges, technical institutes, financial institutions, and businesses.