



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

November 10, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Stone County National Bank
Charter Number 18008**

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

**Comptroller of the Currency
Kansas City South Field Office
1710 East 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 COMMUNITY REINVESTMENT ACT (CRA) RATING

This institution is rated Satisfactory.

Stone County National Bank's (SCNB) CRA performance is considered satisfactory for the level of lending done, and the bank is helping to meet the credit needs of its assessment area (AA). Lending performance, as measured by the net loans to total deposits ratio, shows the bank below the levels of peer banks. Within the bank's lending activity, loans are originated in the AA and to borrowers of different income levels above the population demographics of the AA.

SCNB's average quarterly loan-to-deposit ratio is satisfactory.

- The bank's loan-to-deposit (LTD) ratio reflects a reasonable responsiveness to the credit needs of its AA. The quarterly average LTD ratio since the last CRA examination was 54.41% based on the last 20 quarters. This ratio has ranged from 46% in the first quarter of 2003 to 60% in the third quarter of 2001, and is currently at 57%. The average LTD ratio of the national peer group of banks was 76% and ranged from 74% to 78%. There are no similarly situated banks in the AA for comparison. SCNB is located in four rural communities in Stone County with low loan demand. The other 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.

SCNB's performance of lending to borrowers of different incomes is excellent.

- The distribution of loans, given the demographics of the AA, reflects excellent penetration among individuals of different income levels. Examiners reviewed a sample of 20 loans for each of the bank's primary product types originated in the AA for the period October 1, 1999 through December 31, 2002.

Performance for consumer lending to low- and moderate-income individuals is excellent. Loans to low-income individuals are slightly below demographics at 15% by number and 13% by dollar amount when compared to 20% of households in the AA designated low-income. But, this is more than reasonable given that 15% of the households in the AA are below poverty level. Loans to moderate-income individuals are well above demographics at 30% by number and 29% by dollar amount. Demographic data indicates 16% of households in the AA are designated moderate-income.

Performance for 1-4 family residential real estate lending to low- and moderate-income individuals is excellent. Loans to low-income individuals are slightly below demographics at 10% by number and 10% by dollar amount as compared to 17% of families in the AA designated low-income. This is more than reasonable given that 11% of families in the AA have incomes considered below poverty level. Loans to moderate-income individuals are well above demographics at 40% by number and 34% by dollar. Demographic data indicates 19% of families in the AA are designated moderate income.

An analysis of SCNB's geographic distribution of credit is not meaningful. We did not perform

an analysis of the geographic distribution of loans, as all census tracts in the bank's AA are designated as middle-income tracts.

SCNB's record of lending within its AA is satisfactory.

- A majority of all loans originated by the bank are located in the AA. For consumer and 1-4 family residential real estate loans sampled, the bank originated 78% by number and 84% by dollar amount within the AA.

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

We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

SCNB is 100% owned by Stone County National Bancshares, a one-bank holding company. Both are located in Crane, Missouri. The bank has \$73.8 million in total assets (TA) of which \$34.9 million are loans (47.29% of TA) according to the June 30, 2004 Report of Condition. The holding company's assets size is the same as the bank. The bank has four locations, with the main facility located in Crane and three branches located in Galena, Reeds Spring, and Cape Fair, Missouri. SCNB is a full service institution with a drive-up located at each facility. The bank also has two ATMs located offsite in Crane and Reeds Spring.

Loan products offered include consumer, commercial, agricultural, residential real estate, construction real estate, commercial real estate, and farmland loans. Consumer installment and 1-4 family residential real estate loans are the primary focus of the bank's loan portfolio. Conclusions are based on a sample of these types of loans originated from October 1, 1999 to December 31, 2002. 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 obligations. SCNB received a "Satisfactory" rating at the last CRA examination dated October 18, 1999.

DESCRIPTION OF ASSESSMENT AREA

SCNB's AA consists of five middle-income census tracts located in Stone County, Missouri. The AA meets the requirements of the regulation, with contiguous census tracts that include geographies where the bank, all branches, and ATMs are located; and a majority of the bank's loans are originated. The AA consists of the appropriate census tracts, does not reveal discrimination, and does not arbitrarily exclude any low- or moderate-income areas.

There are three other independently owned banks in SCNB's AA. We did not use these banks for comparison, as they were not similarly situated to SCNB. These banks have significantly more assets and serve larger, more populated areas within and outside the county.

We conducted one community contact during this examination. The contact was a community development agency that works to improve the business environment for Stone County. The contact indicates all financial institutions in the area assist in meeting the primary credit needs of the surrounding communities.

Please refer to the bank's CRA Public File for more information.