

PUBLIC DISCLOSURE

December 16, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SAC RIVER VALLEY BANK
296353
10-29-5390

P.O. BOX B
STOCKTON, MISSOURI 65785-0625

Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198

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 Community Reinvestment Act (CRA) performance of Sac River Valley Bank, Stockton, Missouri, prepared by Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of December 16, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: *Outstanding record of meeting community credit needs.*

The bank has an outstanding record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods. The loan-to-deposit ratio is exceptional given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans are in the institutions assessment area. Furthermore, the distribution to borrowers in different income levels reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-incomes) and farms of different sizes. Furthermore, the geographic distribution of borrowers reflect excellent dispersion throughout the assessment area among individuals of different income levels and businesses of different sizes.

The following table indicates the performance level of Sac River Valley Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Sac River Valley Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The bank has the ability to meet the credit needs of its defined assessment area based on the bank's size, financial condition, and resources. According to the September 30, 1996 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$89,719M, of which loans constituted \$61,260M or 68 percent. As depicted in the following table, the bank is primarily a residential and consumer lender. However, the bank does offer a variety of loan products to meet the credit needs of its assessment area. The types of credit products offered by the bank, as noted in the bank's public file, include consumer loans, real estate loans, and loans to finance agriculture and small business. Finally, the bank's location and credit services are accessible to the entire community.

The bank's CRA performance was last reviewed as of October 26, 1995, when a CRA rating of satisfactory was assigned.

THE BANK'S LOAN PORTFOLIO

Loan Type	Amount (\$000)	Percent of Total
Multiple and 1- to 4-family real estate	21,542	35
Farmland or agricultural	13,678	22
Commercial	11,162	18
Nonfarm nonresidential	10,891	18
Consumer	3,976	7
Other	11	<1
Less: Unearned income	0	0
TOTAL	61,260	100

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) has been defined as Barton, Cedar, Dade, Polk, and Vernon Counties. The AA is a rural agricultural community located northwest of Springfield, Missouri, and surrounds Stockton Lake. Stockton's proximity to the lake attracts tourists and retirees. The bank's AA is made up of 1 moderate- and 17 middle-income Block Numbering Areas (BNAs) which are not located in a metropolitan statistical area. Management based the assessment area on the bank's geographic location, socioeconomic information, size and resources, and its competitive position within the community.

Assessment area characteristics based on the 1990 census are summarized in the following table.

BANK ASSESSMENT AREA CHARACTERISTICS	
Income Summary	
Median Family Income	\$23,240
Percent Low-Income Families	20.3

BANK ASSESSMENT AREA CHARACTERISTICS	
Income Summary	
Percent Moderate-Income Families	18.9
Percent Middle-Income Families	24.5
Percent Upper-Income Families	36.2
Labor Summary	
Labor Force Population (Assessment Area)	31,798
Percent Unemployment (Assessment Area)	5.5
Percent Unemployment (State)	6.1
Miscellaneous Information	
Total Population	71,721
Median Housing Value (Assessment Area)	\$34,159
Median Housing Value (State)	\$59,314
Percentage of Housing Units Vacant	12.3

Apart from being Cedar County's county seat, Stockton (population 1,579) includes such light industries as Hammons Products Company (walnut processor) and Hageles, Inc. (clothing manufacturer). Hammons employs 170, Hageles employs 130, and the Stockton School District employs 102 persons. With the area's growing population of retirees and senior citizens, Stockton Nursing Home employs over 100 persons as well. Small agricultural and small retail operations round out the area's economy.

Outside business contacts expressed the opinion that Stockton needs additional industry that would provide higher wages. Many people commute to Lamar, Nevada, and Bolivar to find suitable employment. Stockton also needs additional housing. Rental properties and homes in the lower price range are in especially short supply, though as mentioned above, other parts of the area real estate market are doing well as evidenced by Stockton's ability to maintain seven different real estate brokerage offices.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. A review of the bank's level of lending in relation to its deposits and other comparable financial institutions was performed. Penetration of loan originations within and outside the bank's defined assessment area was also evaluated. Furthermore, the bank's level of lending to borrowers of different income levels and to businesses and small farms was reviewed. Finally, the geographic distribution of loan originations within the bank's assessment area was evaluated. The bank has not received a complaint since the last examination.

Loan-to-Deposit Ratio

The bank's adjusted loan-to-deposit ratio (calculated using the 12-month period prior to December 30, 1996) of 81 percent is much higher than the bank's peer group and other comparable area financial institutions. The adjusted loan-to-deposit ratio for the bank's peer group over the same 12-month period was 63 percent. The bank's peer group consists of all insured commercial banks having assets between \$25MM and \$75MM with one or more banking offices and located in a nonmetropolitan area. An analysis of four neighboring banks with similar size and resources demonstrated loan-to-deposit ratios ranging from 51 to 79 percent. The bank's loan-to-deposit ratio is exceptional (considering seasonal variations and taking into account lending-related activities) given management philosophy, the institution's size, financial condition, and assessment area credit needs.

Consistent with its size and financial condition, the bank has an outstanding record of meeting the needs of its local community. Since the last examination, the bank has extended loans for real estate, commercial, and agricultural credit. Many of these loans were made to small businesses and farms. Loan data reviewed from the period of April 15, 1996, to October 15, 1996, show the following mix of real estate and agricultural loans: the bank had 348 real estate loans; and the bank extended 291 agricultural loans. Real estate and agricultural loans are the bank's two largest loan products.

Lending in Assessment Area

A substantial majority of the bank's lending occurs inside its assessment area. The table below demonstrates, by general product type, the number and percentage

of loans located within the bank’s assessment area as noted during the review.

LOANS WITHIN THE BANK’S ASSESSMENT AREA	
LOAN TYPE	PERCENTAGE
Conventional Real Estate	95
Small Farm	91
Total Loans Reviewed	87

Lending to Borrowers of Different Incomes and to Businesses/Farms of Different Sizes

Furthermore, the distribution to borrowers in different income levels reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and farms of different sizes. The bank has made numerous loans to small farms and businesses that have annual revenues less than \$1MM. As of the examination date, the bank had originated 291 small farm loans with total originations of \$13,678M. In addition, the bank’s origination of numerous small-dollar secured and unsecured loans provides a service to fixed- and low-income individuals in the community. As shown in the table below, the bank extended 20 percent of its conventional home mortgage loans to persons of low income. According to the 1990 census, 20 percent of the bank’s assessment area’s population is considered low income. Also, regarding the small farm loan statistics outlined below, the income data reflects the income of the applicant, not annual farm income.

PERCENTAGE OF LOANS REVIEWED IN DIFFERENT INCOME LEVELS IN THE ASSESSMENT AREA			
Area Median Family Income			\$23,240.00
Income Level of Borrower	Percentage of Consumer Real Estate Loans Reviewed	Percentage of Small Farm Loans Reviewed	Percentage of Families in the Bank’s Assessment Area
Low (<50 percent of median)	20	7	20
Moderate (50 to 80 percent of median)	12.5	25	19

Middle (80 to 120 percent of median)	37.5	39	25
Upper (>120 percent of median)	30	29	36
Total	100	100	100

Geographic Distribution of Loans

The geographic distribution of loans originated by the bank reflects excellent dispersion throughout the bank's assessment area. Of the bank's small farm loans, 15 percent were extended to moderate income areas. Ten percent of all conventional home mortgages are extended to moderate income areas, while moderate income areas comprise only 5.56 percent of the bank's assessment area.

According to community contacts, there is a strong demand for real estate financing, especially for rental properties such as an apartment complex. Recently, the bank has financed residential construction and mortgage loans totaling more than \$40MM, two-thirds of the bank's lending in the last year. Furthermore, the bank has provided financing to new and existing businesses in the last year. Of particular note is the recognition the bank received from the Kansas City regional headquarters of the Small Business Administration. In June of 1996, the SBA released a study by its Office of Advocacy that Sac River Valley Bank achieved a score of 43 out of 50, placing the bank in the upper ten percentile of Missouri banks with assets of less than \$300MM.

No substantive violations of the antidiscrimination laws and regulations were identified. Furthermore, reviews of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants. Bank management has provided staff training to prevent violations of the antidiscrimination laws and regulations.