



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**May 13, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CornerBank, National Association  
Charter Number 3218**

**900 Main Street  
Winfield, KS 67156**

**Comptroller of the Currency  
Assistant Deputy Comptroller C. Scott Schainost  
Wichita Field Office  
3450 North Rock Road Suite 505  
Wichita, KS 67226**

**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.**

## TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u> .....	2
<u>DESCRIPTION OF INSTITUTION</u> .....	3
<u>DESCRIPTION OF ASSESSMENT AREA</u> .....	3
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u> .....	5

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

- Cornerbank's average quarterly loan-to-deposit ratio is satisfactory. Loans have averaged 76% of the bank's deposits over the last twelve quarters. This is slightly above the 74% for the peer banks in the assessment areas.
- The bank grants a majority of its primary loan products in its assessment areas. Examiners' loan sample indicated the bank made 87% of the number and 86% of the dollar volume of its loans in the assessment areas.
- The bank's lending to borrowers of different income levels and businesses of different sizes within its assessment areas is good. Lending to small businesses in the bank's assessment areas is good, while lending to low- and moderate-income borrowers was satisfactory.

## **DESCRIPTION OF INSTITUTION**

CornerBank, National Association (CornerBank) is a \$179 million bank headquartered in Winfield, Kansas. The bank is a wholly owned subsidiary of Cornerstone Alliance, Ltd., a \$181 million holding company also located in Winfield, Kansas. CornerBank Mortgage, Inc., is a wholly owned subsidiary of the bank. The bank's only affiliate is Cornerstone Credit Company, another wholly owned subsidiary of Cornerstone Alliance, Ltd. CornerBank operates five automated teller machines (ATMs) in Winfield. These ATMs are at the main office, the three motor bank facilities, and Valley Coop. The bank also has cash only dispensing ATM at Felts One Stop convenience store in Udall, Kansas. CornerBank has branches in Oxford, Wellington, Douglass, Arkansas City, and Lawrence, Kansas. With the exception of the Lawrence branch, each office features a drive-up facility and a deposit-taking ATM.

CornerBank is a full service bank and offers a variety of traditional commercial and personal banking services. The bank's primary loan products granted in the Winfield assessment area since the May 4, 1998, CRA examination are miscellaneous purpose consumer loans by number, and commercial and agricultural loans by dollar volume. The primary loan products granted in the Lawrence Metropolitan Statistical Area (MSA) assessment area, by number and dollar volume, are commercial and commercial real estate loans, respectively. As of December 31, 2001, the bank's \$121 million loan portfolio consists of 27 % commercial, 28% agricultural, 25% residential real estate, 11% consumer and 9% commercial real estate loans. Net loans represent 67% of the bank's total assets.

Since the May 4, 1998, examination, the bank opened the Lawrence office and acquired Commercial Federal Bank offices in Arkansas City and Wellington, Kansas. The bank now operates these former Commercial Federal Bank offices as branches. The bank has not made any changes in its corporate structure since the May 4, 1998, CRA examination. There are no legal, economic, or financial impediments that limit the bank's ability to help meet the credit needs of its community. At the last CRA examination, dated May 4, 1998, we assigned a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREA**

CornerBank has two assessment areas (AA) – Winfield AA and Lawrence MSA AA. The Winfield AA includes all of Cowley and Sumner Counties, and adjoining census tract 209 in Butler County. The Winfield AA contains 18 census tracts. Sixty-seven percent (12) of the tracts are middle-income and 33 percent (6) are upper-income tracts. The Butler County part of the AA is part of the Wichita MSA. Cowley and Sumner Counties make up the non-MSA section of the Winfield AA.

The Lawrence MSA AA is comprised of Douglas County, which has 14 census tracts. Seven percent (1) of the tracts are low-income, 14 percent (2) are moderate-income, 57 percent (8) are middle-income, and 22 percent (3) are upper-income tracts.

The bank's AAs meet the regulatory requirements and do not arbitrarily exclude low- and moderate-income tracts. Economic development community contacts for each assessment area identified business, residential real estate, agricultural, and consumer loans as the credit needs in the communities. The contacts indicated the area banks are meeting these needs.

**Winfield Assessment Area**

The 1990 U.S. census data indicates the population of the AA is 71,889. The economy in the Winfield AA is stable. Major employers include General Electric, Rubbermaid, Southwestern College, Cowley County Community College, Winfield Correctional Facility, and local school districts.

The Kansas statewide non-MSA median family income for 2001 is \$43,200. The MSA part of the AA had a 1990 decennial median family income of \$35,391 and a median family income of \$59,000 for 2001. The AA has the following income distribution for families:

<b>Distribution of Family Income in Winfield AA</b>	
<b>Income Level</b>	<b>Percentage</b>
Low-income Families	14
Moderate-income Families	17
Middle-income Families	24
Upper-income Families	45

Demographic information shows 10% of the households have income below the poverty level, 32% receive social security, and 6% are on public assistance. Twenty-eight percent of the population is not in the work force and 16% is over the age of 65. The U.S. Department of Labor indicates the Kansas unemployment rate for the month of April 2002 is 4.4%. The median housing value is \$40,591 and 67% of the housing units are owner occupied.

CornerBank's competitors in the Winfield AA include 33 banking institutions and several credit unions. The total assets of the 18 banks selected as peer banks range from \$6 million to \$500 million. The bank has the second largest deposit market share with 10% of the deposits as of June 30, 2001.

**Lawrence MSA Assessment Area**

The 1990 U.S. census data shows the population of the AA is 81,798. The AA includes the city of Lawrence. The economy of the area is strong. Major employers are Sprint and the University of Kansas. The AA had a 1990 decennial median family income of \$35,632 and a median family income of \$55,100 for 2001. Demographic information indicates 22% of the population has income below the poverty level, 18% receive social security, and 3% are on public assistance. The AA has the following income distribution for families:

<b>Distribution of Family Income in Lawrence MSA AA</b>	
<b>Income Levels</b>	<b>Percentage</b>
Low-income Families	20
Moderate-income Families	16
Middle-income Families	25
Upper-income Families	39

Demographic information shows 28% of the population is not in the work force and 8% is over the age of 65. The U.S. Department of Labor indicates the Kansas unemployment rate for the month of April 2002 is 4.4%. The median housing value is \$68,633 and 50% of the housing units are owner occupied.

Competition for CornerBank in the Lawrence MSA AA comes from 22 banking institutions and several credit unions. Total assets for the ten banks selected as peer banks range from \$9 million to \$170 million. The Lawrence office opened on August 6, 1999. Deposit market share data is not available.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

CornerBank's lending level is satisfactory. The bank's average quarterly loan-to-deposit ratio for the last 12 quarters ending December 31, 2001, is 76%, compared to 74% for peer banks in the AAs. The bank's loan-to-deposit ratio trended upwards during this period. For peer banks, we selected 28 banks that had a majority of their offices in the AAs. The average ratio for the peer banks ranged from 31% to 96%.

### **Lending in Assessment Area**

CornerBank's lending in its AAs is satisfactory. The bank extended a majority of its primary loan products in the AAs. Examiners reviewed a sample of the bank's primary loan products granted in 1999, 2000, 2001, and through May 2002. The sample included 20 loans each for miscellaneous purpose consumer, commercial, and agricultural loans for the Winfield AA. For the Lawrence MSA AA examiners selected 20 commercial and 17 commercial real estate loans granted between August 6, 1999 (the opening date of the branch) and May 13, 2002. The following table depicts the distribution of the loan sample by number and dollar volume.

<b>Percentage of Sample Loans Granted Within the Assessment Areas</b>	
<b>Percentage By Number</b>	<b>Percentage By Dollar Volume</b>
87	86

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

CornerBank's lending to borrowers of different income levels and businesses of different sizes is good. Examiners analyzed samples of the bank's commercial, agricultural, and miscellaneous purpose consumer loans as those loan products represent the bank's primary loan products.

### Winfield AA

Lending volumes to borrowers of different income levels and businesses of different sizes in the Winfield AA is good. Examiners selected a sample of 20 loans each of miscellaneous purpose consumer, commercial, and agricultural loans granted during 1999, 2000, 2001, and through May 2002. Community contacts had identified consumer, business, residential real estate, and agricultural loan products as the AA's credit needs.

Lending to borrowers of different income levels is satisfactory. The following table indicates the bank's lending to low-income borrowers is satisfactory compared to the household demographics. Lending to moderate-income borrowers is good as it significantly exceeds household demographics.

<b>Winfield AA Sample of Miscellaneous Purpose Consumer Loans</b>			
<b>Borrower Income Level</b>	<b>Percentage of the Number</b>	<b>Percentage of the Dollar volume</b>	<b>Households in Income Category</b>
<b>Low-income</b>	21	28	20
<b>Moderate-income</b>	47	30	14
<b>Middle-income</b>	16	22	18
<b>Upper-income</b>	16	19	48
<b>Total</b>	100	100	100

Lending volumes to businesses and farms of different sizes in the Winfield AA is good. Lending to commercial borrowers of different sizes in the Winfield AA is excellent. The following table indicates all the loans in the examiners' sample were granted to businesses with annual gross revenue below \$1 million. Dunn & Bradstreet's 2001 business demographic data indicates 88% of the businesses in the AA have annual gross revenues of less than \$1 million.

<b>Winfield AA Sample of Commercial Loans</b>		
<b>Annual Gross Revenue</b>	<b>Percentage of Number of Loans</b>	<b>Percentage of Dollar Volume of Loans</b>
<b>Less than \$100,000</b>	35	13
<b>\$100,000 - \$249,999</b>	20	13
<b>\$250,000 - \$499,999</b>	25	37
<b>\$500,000 - \$1,000,000</b>	20	37
<b>More than \$1,000,000</b>	0	0
<b>Total</b>	100	100

Lending to farms of different sizes in the Winfield AA is good. The following table indicates the bank granted 80% of its farm loans, by number, to farms with annual gross farm revenues of less than \$100,000 and 100% to farms with revenues under \$1 million. Dun and Bradstreet data for 2001 indicates 98% of the farms had annual gross revenues under \$1 million. Agriculture Census Data for 1997 shows 80% of the farms in Cowley and Sumner Counties reported farm product sales of less than \$100,000. The farm product sales data does not include other farm income such as government payments, land rents, custom work, etc.

<b>Winfield AA Agricultural Loan Sample</b>		
<b>Annual Gross Farm Revenues</b>	<b>Percentage By Number</b>	<b>Percentage By Dollar Volume</b>
Less than \$25,000	45	22
\$25,000 - \$100,000	35	18
\$100,000 - \$500,000	15	23
\$500,000 - \$1,000,000	20	37
Over \$1,000,000	0	0
Total	100	100

#### **Lawrence MSA AA**

Lending to businesses of different sizes in the Lawrence MSA AA is satisfactory. Examiners reviewed a sample of 20 commercial loans and all of the commercial real estate loans (14) granted between August 6, 1999 and May 13, 2002. Community contacts identified business loans as one of the community's credit needs. Examiners did not analyze consumer loans, as it was not one of the bank's primary loan products in this AA.

CornerBank's lending levels for commercial loans and commercial real estate loans is satisfactory. The following table indicates lending to small businesses at 85% is slightly below the business demographics of the AA. Lending for commercial real estate to small businesses at 93% is slightly above the business demographics. Dunn & Bradstreet's 2001 business demographic data indicates 88% of businesses in the AA reported annual gross revenues of less than \$1 million.

<b>Lawrence MSA -Sample of Commercial &amp; Commercial Real Estate Loans Granted Between August 6, 1999 to May 13, 2002</b>				
<b>Annual Gross Revenues</b>	<b>Commercial Loan Sample</b>		<b>Commercial Real Estate Loan Sample</b>	
	<b>Percentage by Number of Loans</b>	<b>Percentage by Dollar Amount of Loans</b>	<b>Percentage by Number of Loans</b>	<b>Percentage by Dollar Amount of Loans</b>
<b>Less than \$100,000</b>	30	31	50	48
<b>\$100,000 - \$249,999</b>	20	11	22	24
<b>\$250,000 - \$499,999</b>	20	15	7	22
<b>\$500,000 - \$1,000,000</b>	15	11	14	5
<b>Over \$1,000,000</b>	15	32	7	1



## Geographic Distribution of Loans

An analysis of the geographic distribution of credit within the Lawrence MSA AA indicates the bank has adequate penetration to low- and moderate-income tracts in the AA. Examiners reviewed all of the commercial real estate loans (14) granted since the branch opening and a sample of 20 commercial granted during this time period. Examiners did not conduct an analysis for the Winfield AA, as it does not contain any low- or moderate-income tracts.

Geographic distribution of commercial loans within the Lawrence MSA AA is reasonable. The following table indicates CornerBank has satisfactory penetration in the AA's only low-income tract. Penetration in one of the moderate-income tracts is lower than the business demographics and the loan sample did not reflect any lending in the other moderate-income tract. Management indicates the Lawrence branch's current location, with the lack of a drive-up facility and ATM, hinders the branch' ability to draw commercial customers from the core area of Lawrence.

<b>Sample of Commercial Loans Granted in Lawrence MSA</b>			
<b>August 6, 1999 to May 13, 2002</b>			
	<b>Low-Income Tract</b>	<b>Moderate-Income Tracts</b>	
	<b>CT #4</b>	<b>CT #2</b>	<b>CT #3</b>
<b>Percentage of Number of Loan Sample</b>	5	5	0
<b>Percentage of Dollar Volume of Loan Sample</b>	8	4	0
<b>Percentage of Businesses in AA</b>	3	14	5

Geographic distribution of commercial real estate loans within the Lawrence MSA AA is satisfactory. The table below indicates CornerBank has a satisfactory record of performance in the AA's only low-income tract, as lending slightly exceeds the demographics of the tract. The bank's performance within the moderate-income tracts is satisfactory. The bank's penetration in the one moderate-income tract matches the demographics, while performance in the other moderate-income tract was slightly higher than the demographics.

<b>Commercial Real Estate Loans Granted in the Lawrence MSA</b>			
<b>August 6, 1999 to May 13, 2002</b>			
	<b>Low-Income Tract</b>	<b>Moderate-Income Tracts</b>	
	<b>CT #4</b>	<b>CT#2</b>	<b>CT #3</b>
<b>Percentage of Number of Loans</b>	7	14	7
<b>Percentage of Dollar Volume of Loans</b>	1	19	22
<b>Percentage of Businesses in AA</b>	3	14	5

## **Responses to Complaints**

The bank has not received any CRA-related complaints since the previous CRA examination.

## **Fair Lending Review**

An analysis of 1999, 2000, 2001, and year-to-date 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination was not necessary in connection with the CRA evaluation this year. The OCC's latest comprehensive fair lending exam was in 1998.