



SMALL BANK

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

PUBLIC DISCLOSURE

December 15, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Seiling
Charter Number 8615**

**301 N. Main
Seiling, OK 73663**

**Comptroller of the Currency
Oklahoma City (Central & West Oklahoma)
301 NW 63rd Street Harvey Pkwy. Bldg., Suite 490
Oklahoma City, OK 73116**

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.

THE FIRST NATIONAL BANK OF SEILING'S CRA RATING

This institution is rated Satisfactory.

Consistent with its resources and capabilities, the bank is meeting the credit needs of its assessment area, including those of low- and moderate-income individuals, in a reasonable manner. This is demonstrated by the following:

- The First National Bank of Seiling's continuing efforts to pursue lending opportunities and improve the bank's loan-to-deposit ratio.
- The bank's willingness to provide loan and deposit products consistent with the needs of the community.
- A majority of the loans extended are within the assessment area.
- The bank's willingness to extend loans to individuals of different income levels, as well as businesses and farms of different sizes.

DESCRIPTION OF INSTITUTION

The First National Bank of Seiling (FNB) is located in Seiling, Oklahoma. The bank is 100 percent owned by the W.H. Pittman family. Both the main bank and drive-in facility are located in downtown Seiling. There are no branches. FNB issues Automated Teller Machine (ATM) cards and services one ATM at a local convenience store. Plans are underway to offer Internet banking services by December 2005. The bank's primary focus is to serve commercial, agricultural and consumer customers in Seiling and the surrounding areas.

As of September 30, 2004, FNB's total assets equaled \$53,476,000, of which \$16,103,000 or 30.11 percent were composed of various types of loans to individuals and businesses. The \$16,103,000 in loans and leases outstanding consisted of \$8,825,000 in real estate related loans (54.80%), \$1,700,000 in commercial loans (10.56%), \$4,204,000 in agricultural loans (26.11%), and \$1,374,000 in consumer loans (8.53%).

There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the assessment area. The bank's performance under the Community Reinvestment Act was previously evaluated as of July 6, 1999 and was rated **Satisfactory**.

A community contact with a local businessperson was made during this review. The contact stated that this bank offers a wide variety of financial services. The major credit needs in the assessment area are small dollar consumer, business and agricultural loans.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by the bank's board of directors meets the requirements of the

regulation. It does not arbitrarily exclude any low- or moderate-income geographies. The assessment area is described in more detail as follows:

Census Tract #9591 in Dewey County, Census Tract #9587 in Blaine County, Census Tract #9552 in Major County, and Census Tracts #9531 and #9532 in Woodward County.

Based on the 2000 United States Census Bureau, four of the five census tracts in the assessment area were identified as middle income. These were #9591, #9587, #9552 and #9532. Tract number 9531 in Woodward County is identified as an upper income tract by the census bureau. Seiling is located on the northern edge of tract number 9591. The remaining tracts are immediately adjacent to tract number 9591. There are no low income or moderate-income tracts identified in any of the four counties.

United States Census Bureau information as of 2000 reflected a total population of 11,209 in the five-tract area. The area contained 5,306 housing units with 3,509 or 66 percent owner occupied. Additionally, there were 3,091 families and 4,227 households in the area. Sixty-six percent of the households derive their income from wages or salaries. The largest employment sectors were farming and service related entities. The unemployment level for the area was 205 persons or 1.83 percent of the population.

A bank in Canton, Oklahoma and a bank branch in Longdale, Oklahoma also serve the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio does not meet the standard for satisfactory performance. The average quarterly loan to deposit ratio from June 30, 1999 through September 30, 2004 was 37.07 percent. The ratio as of September 30, 2004 was 35.10 percent. The low ratio for the period was 34.05 percent at June 30, 2004. The high ratio for the period was 41.43 percent at September 30, 2000.

The overall trend of the quarterly loan-to-deposit ratio has improved since the July 1999 review. The average loan-to-deposit ratio at the last examination was 30.08 percent. The improvement was the result of management's efforts to increase loans. However, both loans and deposits continue to decline with the aging community.

FNB's ratio remains low when compared to the average loan to deposit ratio for the three stand-alone banks operating in Dewey County and the twenty banks operating in the six contiguous counties in Oklahoma. The average ratio for this group of banks since June 30, 1999 was 51.24 percent. The low ratio for this group was 22.70 percent and the high ratio was 104.30 percent.

FNB's ratio is also low compared to the average loan-to-deposit ratio for the three banks headquartered in the assessment area. The average for this group of the banks was 63.89 percent

at September 30, 2004. The low ratio in this group was 35.10 percent and the high ratio was 81.20 percent at September 30, 2004.

Additionally, it is noted that the bank is substantially larger than its nearest rural competitors due to its large deposit base. FNB has the largest loan portfolio of this group. The First National Bank of Seiling continues to pursue lending opportunities within the local community.

Lending in Assessment Area

A majority of credit extended is within the assessment area. Analysis of a sample of 25 consumer/residential loans and twenty-two business and agricultural loans extended between 2002 and year-to-date 2004, noted the following results:

Loan Sample	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
Consumer/Residential 1 (25 loans for \$879,971)	88.00%	12.00%	86.52%	13.48%
Business & Agricultural (22 loans for \$2,707,034)	86.36%	13.64%	81.31%	18.69%
Combined Totals (47 loans for \$3,587,005)	87.23%	12.77%	82.58%	17.42%

The conclusion from the sample corroborates management's data for loans originated since 2002 to September 30, 2004.

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

The distribution of borrowers reflects a reasonable dispersion among individuals of different income levels as well as businesses and farms of different sizes with the assessment area. The following table uses income data collected from the sample of consumer and residential loans selected for review.

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans				

(22)	31.82%	36.36%	9.09%	22.73%
Dollars of Loans (\$879,971)	10.37%	28.47%	9.85%	51.31%

The number of loans to each income group reasonably compares to the distribution of households and families by income level, as illustrated below:

Description	% Low Income (<50% of Median)	% Moderate Income (50-80% of Median)	% Middle Income (80-120% of Median)	% of Upper Income (>120% of Median)
Households (4,227 in total)	21.29%	17.48%	19.29%	41.94%
Families (3,091 in total)	15.53%	18.57%	23.81%	42.09%

The following table illustrates a review of a sample of nineteen commercial and agricultural loans. The number of loans to the two groups compares very well to the distribution of companies and farms by revenue obtained from the 2000 census data.

Description	% with \$1,000,000 or less in revenues	% with greater than \$1,000,000 in revenues
Number of Loans (19)	100%	0%
Number of Companies/Farms (445)*	95.09%	4.91%

* Census data available for 445 of the 622 companies and farms in the area.

Geographic Distribution of Loans

Since there are no low- or moderate-income geographies in the assessment area, an analysis of the geographical distribution of loans among the middle- and upper-income census tracts is inconsequential.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices. Management solicits credit applications from all segments of its community. Our review revealed substantial compliance with all provisions of the antidiscrimination laws and regulations.