



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 22, 2008**

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

The Shattuck National Bank  
Charter Number 9987

503 South Main  
Shattuck, OK 73858-0000

Office of the Comptroller of the Currency

OKLAHOMA CITY (CENT & WEST OK)  
301 NW 63rd Street, Harvey Parkway Building, 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The major factors that support this rating include:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a majority of its loans within the defined assessment area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

The Shattuck National Bank in Shattuck, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Evaluation.

## DESCRIPTION OF INSTITUTION

The SNB is a community bank headquartered in Shattuck, Oklahoma. SNB is wholly-owned by Shattuck Bancshares, Inc., a one-bank holding company. The main bank with a drive-thru facility is located at 503 South Main Street in Shattuck, Oklahoma. A 24-hour cash-dispensing only automated teller machine (ATM) is available at the main bank and a second cash-dispensing only ATM is located in the Venture grocery store at 1600 South Main in Shattuck. No new ATMs have been added since the last evaluation. No branch locations have been opened or closed since the previous Community Reinvestment Act (CRA) evaluation.

The bank's primary focus is to serve consumer, agricultural, and commercial customers in Shattuck and the surrounding areas in Ellis County. SNB meets these needs by providing various loan and deposit products. Since the last evaluation, SNB has begun offering Internet banking and health service accounts.

As of December 31, 2007, the bank's total assets equaled \$42.2 million, of which \$24.9 million, or 59 percent, were comprised of various types of loans to individuals, commercial businesses, and agricultural related entities. Specifically, the bank's loan portfolio consists of the following:

| <b>Loan Category</b>          | <b>\$ (000)</b> | <b>%</b>       |
|-------------------------------|-----------------|----------------|
| Agricultural Loans            | 10,847          | 43.48%         |
| Commercial Loans              | 8,156           | 32.69%         |
| Residential Real Estate Loans | 3,643           | 14.60%         |
| Consumer Loans                | 2,301           | 9.23%          |
| <b>Total</b>                  | <b>24,947</b>   | <b>100.00%</b> |

No legal or financial impediments exist that prevent the bank from meeting the credit needs of the assessment area. The bank received an overall rating of Satisfactory at the last CRA evaluation dated July 28, 2003.

## DESCRIPTION OF ASSESSMENT AREA(S)

The assessment area adopted by SNB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. The assessment area meets the requirements of the CRA regulation.

SNB's assessment area is located in Northwestern Oklahoma and encompasses the entire area of Ellis County. The assessment area contains two block numbering areas (BNAs). SNB's main bank, drive-thru, and both ATMs are located within BNA #9526 in Ellis County. Based on the 2000 census data, the United States Census Bureau identifies both BNA's as middle income tracts.

| <b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA</b> |         |
|--|---------|
| <i>Population</i>  |         |
| Number of Families   | 1,227   |
| Number of Households   | 1,774   |
| <i>Geographies</i>   |         |
| Number of Census Tracts/BNA  | 2       |
| % Low-Income Census Tracts/BNA                                     | 0.00%   |
| % Moderate-Income Census Tracts/BNA                                | 0.00%   |
| % Middle-Income Census Tracts/BNA                                  | 100.00% |
| % Upper-Income Census Tracts/BNA                                   | 0.00%   |
| <i>Median Family Income (MFI)</i>                                  |         |
| 2000 MFI for AA  | 33,523  |
| 2006 HUD-Adjusted MFI  | 42,600  |
| <i>Economic Indicators</i>   |         |
| 2000 Median Housing Value  | 37,603  |
| % of Households Below Poverty Level                                | 13.00%  |

Based on the 2000 data, the assessment area has a total population of 4,075 persons. Although there are no low- or moderate-income census tracts in the assessment area, low- and moderate-income families reside in the assessment area. Of the 1,227 families, 16 percent are low-income families and 22 percent are moderate-income families. The area contained 2,146 housing units with 1,427 units, or 67 percent, owner-occupied units. The area contained 1,774 households of which 65 percent derive their income from wages or salaries. Households below the poverty level total 227 and households that receive public assistance total 65, or 13 percent and 4 percent of the total number of households, respectively. The median housing value is \$37,603 and the median age of housing is 54 years old.

The largest employment sectors in Ellis County are farm, oil and gas, services, and retail trade. The assessment area is served by one other stand-alone bank in Arnett, Oklahoma (Farmers & Merchants Bank) and by a branch of another bank in Gage, Oklahoma (Oklahoma State Bank of Buffalo). Local banking competition includes those banks in Ellis County, those in Laverne and Vici, Oklahoma, those in Follett and Higgins, TX, and stand-alone banks and branches of larger banks in Woodward, Oklahoma.

Local economic conditions are strengthening. The economy continues to be dependent on agriculture and has begun to experience growth in oil and gas exploration/production. The major employers in Ellis County are: J & L Oil Field Services, Shattuck Public Schools, the Newman Memorial Hospital, Johnston Grain, Shattuck Nursing Center, Soil Farming, Braham's, and the Venture Grocery Store.

A community contact was made during the evaluation to help ascertain the credit needs of the assessment area. According to the contact, the immediate credit needs of the community are being fulfilled. There is generally a need for low- and moderate-income housing and consumer loans. SNB is involved in community development activities and programs in the area. The community contact commended SNB for always being positive, helpful, and courteous.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This Performance Evaluation assesses Shattuck National Bank's (SNB) performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints. Because SNB's assessment area does not include any low or moderate income BNA's, a geographic distribution of the bank's loans within the assessment area would not be meaningful and was not performed.

To evaluate SNB's lending performance, a random sample of 74 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following loans originated in 2005, 2006, and 2007: 23 agricultural loans, 26 residential real estate loans, and 25 consumer automobile loans. Based on the analysis and consistent with available resources and capabilities, SNB is meeting the credit needs of the assessment area in a satisfactory manner.

### Loan-to-Deposit Ratio

SNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The average quarterly LTD ratio from September 30, 2003 through September 30, 2007 is 47 percent. The bank's low LTD ratio for the period was 32 percent at March 31, 2006. The high ratio for the period was 66 percent at June 30, 2007. The bank's most recent LTD ratio indicates the bank has significantly grown its loan portfolio since the last CRA evaluation. At September 30, 2007 the bank's LTD ratio of 66 percent compared favorably to 41 percent at September 30, 2003, an increase of 61 percent.

The average quarterly LTD ratio for four similarly situated banks in the area is 52 percent and ranges from 37 percent to 74 percent. The table below illustrates the bank's average quarterly LTD ratio, as well as the ratios for the four similarly situated banks, from September 30, 2003 to September 30, 2007. SNB's average quarterly LTD ratio is in line with the LTD ratios of the similarly situated banks.

| Institution                              | Assets as of<br>9/30/2007<br>\$ (000) | Average LTD<br>Ratio |
|--|---------------------------------------|----------------------|
| The First National Bank of Seiling       | 62,485                                | 37.11%               |
| Bank of Laverne                          | 52,367                                | 42.91%               |
| <b><i>The Shattuck National Bank</i></b> | <b><i>41,396</i></b>                  | <b><i>47.28%</i></b> |
| Oklahoma State Bank of Buffalo           | 38,953                                | 52.62%               |
| Farmers & Merchants Bank of Arnett       | 30,615                                | 74.04%               |

### Lending in Assessment Area

SNB’s lending in their assessment area meets the standard for satisfactory performance. The majority of the loans are originated within the bank’s assessment area. This conclusion is based on the samples of 23 agricultural loans, 26 residential real estate loans, and 25 consumer auto loans that originated in 2005, 2006 and 2007, as shown in following table.

| Total Loans Reviewed    |                 |        |         |        |       |                  |        |           |        |           |
|-------------------------|-----------------|--------|---------|--------|-------|------------------|--------|-----------|--------|-----------|
| Loan Type               | Number of Loans |        |         |        |       | Dollars of Loans |        |           |        |           |
|                         | Inside          |        | Outside |        | Total | Inside           |        | Outside   |        | Total     |
|                         | #               | %      | #       | %      |       | \$               | %      | \$        | %      |           |
| Agricultural            | 17              | 73.91% | 6       | 26.09% | 23    | 957,104          | 47.32% | 1,065,562 | 52.68% | 2,022,666 |
| Residential Real Estate | 21              | 80.77% | 5       | 19.23% | 26    | 979,047          | 73.30% | 356,639   | 26.70% | 1,335,686 |
| Consumer (Auto)         | 20              | 80.00% | 5       | 20.00% | 25    | 242,360          | 83.08% | 49,354    | 16.92% | 291,714   |
| Total Reviewed          | 58              | 78.38% | 16      | 21.62% | 74    | 2,178,511        | 59.68% | 1,471,555 | 40.32% | 3,650,066 |

Source: Sample of 74 loans used to determine CRA performance

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

SNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The following tables represent the distribution of lending based on the sample of 23 agricultural loans, 26 residential real estate loans, and 25 consumer auto loans extended within the assessment area.

| Borrower Distribution of Small Loans to Agricultural Businesses |              |              |                     |       |
|---|--------------|--------------|---------------------|-------|
| Agricultural Business Revenues                                  | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Ag - Businesses   | 94%          | 5%           | 1%                  | 100%  |
| % of Bank Ag – Business Loans in AA by #                        | 100%         | 0%           | 0%                  | 100%  |
| % of Bank Ag – Business Loans in AA by \$                       | 100%         | 0%           | 0%                  | 100%  |

Source: U.S. Census data and business loan sample

SNB’s loan distribution to small agricultural businesses is good. The sample of business loans revealed that a substantial majority of loans were extended to small businesses with annual gross revenues of less than \$1 million per year.

| <b>Borrower Distribution of Residential Real Estate Loans</b> |                  |                      |                  |                      |                  |                      |                  |                      |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| <b>Borrower Income Level</b>                                  | <b>Low</b>       |                      | <b>Moderate</b>  |                      | <b>Middle</b>    |                      | <b>Upper</b>     |                      |
|   | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Residential Real Estate Loans                                 | 16%              | 4%                   | 22%              | 11%                  | 23%              | 31%                  | 39%              | 54%                  |

Source: U.S. Census data and residential real estate loan sample

SNB’s distribution of residential real estate loans to borrowers of different income levels is reasonable. The number of real estate loans extended to low- and moderate-income borrowers meets the standard and ranges from lower than the ratio to near the ratio of low- and moderate-income families represented in the assessment area. The low number of low-income borrowers in which the bank has extended residential loans may be attributed to the fact that lower income individuals have fewer resources to enable them to purchase residential real estate.

| <b>Borrower Distribution of Consumer Automobile Loans</b> |                    |                      |                    |                      |                    |                      |                    |                      |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| <b>Borrower Income Level</b>                              | <b>Low</b>         |                      | <b>Moderate</b>    |                      | <b>Middle</b>      |                      | <b>Upper</b>       |                      |
|   | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans | % of AA Households | % of Number of Loans |
| Consumer Loans  | 19%                | 8%                   | 20%                | 40%                  | 23%                | 20%                  | 38%                | 32%                  |

Source: U.S. Census data and consumer loan sample

SNB’s distribution of consumer loans by income level is excellent. The number of consumer loans extended to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households represented in the assessment area.

## Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since there are no low- or moderate-income BNA’s in the assessment area.

## Responses to Complaints

SNB has not received any consumer complaints regarding the bank’s CRA performance in helping to meet assessment area needs during this evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.