



PUBLIC DISCLOSURE

April 14, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Seiling
Charter Number 8615

301 N. Main
Seiling, OK 73663

Office of the Comptroller of the Currency
Oklahoma City Field Office
The Harvey Parkway Building
301 NW 63rd Street, Suite 490
Oklahoma City, OK 73116-7908

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 following:

- The bank generates a majority of the number and dollar volume of loans within the assessment area (AA).
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and to farms and businesses of different sizes.

The First National Bank of Seiling (FNB) is committed to serving the community. This is demonstrated by the satisfactory lending performance described in this Performance Evaluation.

SCOPE OF EXAMINATION

This 2014 Community Reinvestment Act (CRA) Performance Evaluation of FNB is based on a comparison of the bank's lending activity during the evaluation period to 2010 US Census demographic information and certain information updated to 2013. The bank's AA consists of five census tracts in a four county area in northwest Oklahoma. The review focused on FNB's primary loan products: agriculture, commercial, and consumer. A random sample of 82 loans that originated in 2012 and 2013 were selected from the three product lines. A meaningful geographical analysis could not be performed because the bank's AA does not contain any low- or moderate-income census tracts.

DESCRIPTION OF INSTITUTION

FNB is headquartered in Seiling, Oklahoma. FNB is 100 percent owned by the W.H. Pittman family. Since the last evaluation, FNB acquired the operating subsidiary Stuart, Keffer, & Schoenhals Incorporated. Stuart, Keffer, & Schoenhals Incorporated is an insurance agency located in Shattuck, OK, that the bank purchased on December 31, 2012.

The bank and drive-in facility are located at 301 N. Main in Seiling, Oklahoma. An Automated Teller Machine is located in the drive-in facility. FNB's business strategy is to serve commercial, agriculture, and consumer customers in Seiling (Dewey County) and the surrounding counties of Major, Blaine and Woodward. FNB meets these needs by providing various loan and deposit products, as well as other services.

As of December 31, 2013, FNB had total assets of \$81 million, of which \$42 million, or 52 percent, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises. The bank's loan portfolio is segmented as follows:

| Loan Portfolio Composition as of December 31, 2013 | | |
|---|-----------------|----------------|
| Loan Category | \$ (000) | % |
| Commercial Real Estate Loans | 12,791 | 30.63% |
| Agricultural Loans | 12,357 | 29.59% |
| Residential Real Estate Loans | 6,508 | 15.59% |
| Commercial Loans | 6,332 | 15.16% |
| Consumer Loans | 2,646 | 6.34% |
| Other Loans | 1,122 | 2.69% |
| Total | \$41,756 | 100.00% |

Source: December 31, 2013 Report of Condition and Income

There are no known legal or financial impediments to prevent the bank from meeting the credit needs within the AA. FNB is involved in, and provides support in meeting the community's financial needs. The bank received an overall rating of "Satisfactory" at the last CRA examination dated April 27, 2009.

DESCRIPTION OF ASSESSMENT AREA

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

FNB has defined their AA as 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. All of these tracts are contiguous. Three of the tracts in the AA are middle-income tracts and two are upper-income tracts. The bank, drive-in, and ATM are all located in census tract #9591 in Dewey County. Local banking competition is moderate. The area includes six community banks and branches of other financial institutions. According to the FDIC Deposit Market Share Report dated June 30, 2013, FNB ranks first with 35 percent of the market share in Dewey County. The following table describes the major demographic and economic characteristics of the AA, based on 2010 U.S. Census data:

| Demographic and Economic Characteristics of Assessment Area | |
|--|----------|
| <i>Population</i> | |
| Number of Families | 3,118 |
| Number of Households | 4,252 |
| <i>Geographies</i> | |
| Number of Census Tracts | 5 |
| % Low-Income Census Tracts | 0% |
| % Moderate-Income Census Tracts | 0% |
| % Middle-Income Census Tracts | 40% |
| % Upper-Income Census Tracts | 60% |
| <i>Median Family Income (MFI)</i> | |
| 2010 MFI for AA | \$58,730 |
| 2013 FFIEC-Adjusted MFI | \$61,191 |
| <i>Economic Indicators</i> | |
| 2010 Median Housing Value | \$84,254 |
| % of Households Below Poverty Level | 10% |

Source: 2010 US Census and 2013 FFIEC updated MFI

Based on 2010 census data, the total population of the AA is 12,104. There are 3,118 families and 4,252 households. Of the families, 12 percent are low-income families and 14 percent are moderate-income families. The median age of housing stock is 40 years. The area contains 5,485 housing units, with 3,627 or 66 percent being owner occupied. Households that are below the poverty level are moderately high at 10 percent, with an additional two percent of the households receiving public assistance.

The local economic conditions are good, but continued drought concerns are prevalent. There has been some job growth over the past few years. The unemployment rate has been trending downward over this same time period. Government, agriculture, oil and gas, retail, and service sectors account for the majority of the employers in the AA. Major employers include Seiling Public Schools, Seiling Municipal Hospital, Gore Nitrogen, Hi-Tech Testing Services, and DCP. The outlook for the local economy is improving with new jobs being created by wind farms, transmission lines, and a new travel plaza. The local economy is dependent on agriculture; however, the accompanying uncertainties with the weather, prices, and government programs will continue to affect local farmers and ranchers.

During the course of the examination, we reviewed a recent community contact conducted for Woodward County, Oklahoma. The contact primarily engages in providing educational resources for the agricultural industry, rural development, business development, family assistance and consumer programs. These programs and services are open to all residents of the county. The community contact noted that

the local banks are active in the community and support the local schools, serve on boards such as the Chamber, participate on the Cooperative Extension's Advisory Committee, and sponsor local events. The contact did not note any particular community need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This CRA Performance Evaluation assesses the bank's performance, focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses and farms of different sizes; geographic distribution of loans; and responses to complaints. Because FNB's AA does not include any low- or moderate-income census tracts, a geographic distribution of the bank's loans within the AA would not be meaningful and was not performed.

A random sample of 82 loans was reviewed to evaluate the bank's lending performance. Major loan products offered by the bank were sampled and consisted of 28 agricultural loans, 29 commercial loans, and 25 consumer loans originated in 2012 or 2013.

Consistent with available resources and capabilities, the bank is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's average quarterly LTD ratio from March 31, 2009 through December 31, 2013 is 56 percent. This ratio is reasonable compared to other similarly situated banks in the area. The average quarterly LTD of the four banks listed below is 51 percent and their ratios range from 38 percent to 70 percent. The quarterly average LTD ratios are listed in the following table:

| Loan-to-Deposit Ratios | | |
|---|---|----------------------|
| Institution | Total Assets as of 12/31/2013 (000's) | Average LTD Ratio |
| Community State Bank of Canton | 38,192 | 70.09% |
| Bank of Vici | 46,035 | 56.51% |
| The First National Bank of Seiling | 81,074 | 55.93% |
| The Farmers & Merchants National Bank of Fairview | 103,138 | 41.49% |
| The Stock Exchange Bank, Woodward | 270,079 | 37.60% |

Source: Institution Reports of Condition from March 31, 2009 to December 31, 2013.

Lending in Assessment Area

FNB's lending in the AA area meets the standard for satisfactory performance. A majority of the number (85 percent) and dollar volume (68 percent) of loans sampled originated in the bank's AA. This conclusion is based on the sample of 82 loans described above and depicted in the following table:

| Lending in FNB's AA | | | | | | | | | | |
|---------------------|-----------------|-----|---------|-----|-------|------------------|-----|----------|-----|---------|
| Loan Type | Number of Loans | | | | | Dollars of Loans | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$(000s) | % | \$(000s) | % | |
| Agriculture | 25 | 89% | 3 | 11% | 28 | \$1,017 | 86% | \$166 | 14% | \$1,183 |
| Commercial | 23 | 79% | 6 | 21% | 29 | \$1,013 | 53% | \$891 | 47% | \$1,904 |
| Consumer | 22 | 88% | 3 | 12% | 25 | \$212 | 91% | \$20 | 9% | \$232 |
| Totals | 70 | 85% | 12 | 15% | 82 | \$2,242 | 68% | \$1,077 | 32% | \$3,319 |

Source: 2012 & 2013 Agricultural, Commercial, and Consumer loan samples.

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

The overall distribution of loans in the bank's AA indicates excellent penetration. FNB exceeds 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 loans extended within the AA:

| Borrower Distribution of Consumer Loans in FNB's AA | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | |
| | % 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 | 18% | 36% | 13% | 23% | 17% | 9% | 52% | 32% |

Source: 2012 & 2013 Consumer Loan Sample; 2010 US Census data.

The number of consumer loans extended to low- and moderate-income borrowers significantly exceeds the ratio of low- and moderate-income households represented in the AA. This represents excellent penetration.

| Borrower Distribution of Loans to Farms in FNB's AA | | | | |
|---|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Farms | 100% | 0.00% | 0.00% | 100% |
| % of Bank Loans in AA by # | 100% | 0.00% | 0.00% | 100% |
| % of Bank Loans in AA by \$ | 100% | 0.00% | 0.00% | 100% |

Source: 2012 & 2013 Agricultural Loan sample; Dunn and Bradstreet data.

The loan distribution to small farms in the AA is excellent and exceeds the standard for satisfactory performance. All of the loans in the sample were extended to farms with annual gross revenues less than \$1 million.

| Borrower Distribution of Loans to Businesses in FNB's AA | | | | |
|---|--------------|--------------|---------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/Unknown | Total |
| % of AA Businesses | 59.16% | 3.30% | 37.54% | 100% |
| % of Bank Loans in AA by # | 89.66% | 10.34% | 0.00% | 100% |
| % of Bank Loans in AA by \$ | 27.35% | 72.65% | 0.00% | 100% |

Source: 2012 & 2013 Commercial Loan sample; Dunn and Bradstreet data.

The loan distribution to small businesses in the AA exceeds the ratio, for an overall excellent penetration. The percentage of bank loans to businesses with annual gross revenues less than \$1 million is higher than the percentage of businesses located in the AA with revenues less than \$1 million. The table also reflects that a large percentage of the businesses in the AA did not report revenues or revenues were unavailable or unknown.

Geographic Distribution of Loans

A meaningful geographical analysis cannot be performed because the bank's AA does not contain any low- or moderate-income census tracts.

Responses to Complaints

There have been no consumer complaints regarding the bank's CRA performance in helping to meet the AA needs during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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