



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 10, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Nash
Charter Number 11306**

**107 South Main Street
Nash, OK 73761**

**Comptroller of the Currency
C. Scott Schainost, Assistant Deputy Comptroller
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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

DESCRIPTION OF INSTITUTION

The First National Bank of Nash (the bank) is a \$7 million bank located in Grant County, Oklahoma. The bank does not have any branch locations or automated teller machines. The bank is not part of a holding company and does not have any affiliates.

The bank is a full service bank offering a variety of loan products with an emphasis on agricultural loans. On March 31, 2003, net loans represented 50% of the bank's total assets. The bank's \$3.6 million loan portfolio has the following composition: agriculture 59%; consumer 23%; residential real estate 11%; and commercial and industrial 7%. The bank has not changed any existing loan products, or offered any new loan products since the previous CRA examination. Examiners determined the primary loan products, based on the number and the dollar volume granted between December 14, 2000, and December 31, 2002, were agricultural loans and consumer loans.

The bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. At the April 5, 1999, CRA examination, examiners assigned a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank has one assessment area (AA). The AA includes Grant County and Alfalfa County, which are non-Metropolitan Statistical Areas (non-MSA), and census tract 11 in northern Garfield County. The Garfield County part of the AA is a middle-income tract and is part of the Enid MSA. The non-MSA part of the AA contains seven middle-income block-numbering areas (BNA) and one moderate-income BNA. The AA does not contain any low- or upper-income tracts. The AA complies with regulation and does not arbitrarily exclude any low- or moderate-income tracts. The 1990 U.S. census data shows the AA has a population of 15,429. The Oklahoma statewide non-MSA median family income for 2002 is \$34,200. The Enid MSA has a 2002 median family income of \$39,500 and a 1990 decennial median family income of \$28,220. The AA has the following income distribution for families: 18% low-income, 19% moderate-income, 23% middle-income, and 40% upper-income.

The AA is dependent on agriculture, primarily wheat, milo, and cattle, except for tract 11 in the Enid MSA, which also has some industrial and retail businesses. Nash is small and has limited employment opportunities. Many residents travel 30 miles southeast to Enid for jobs. Unemployment is low, at 3% for April 2003 in the Enid MSA and 5.1% statewide, compared with 6% nationwide.

Competition among financial institutions in the AA is strong. Eleven commercial banks and several other financial institutions provide competition. The asset sizes for these institutions range from \$24 million to \$161 million. With 2% of the AA's deposits, the bank ranks eleventh in deposit market share.

Examiners contacted one community professional in the AA. The contact identified agricultural loans and consumer loans as two of the area's primary credit needs. The contact also stated that area banks are meeting these needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending level is adequate. The quarterly average loan-to-deposit ratio over the past 17 quarters ending March 31, 2003, is 64% compared with 70% for peer banks. For peer banks, examiners analyzed the ratios for a group of nine banks, which derive the majority of their deposits from the AA. The ratios for this group range from 34% to 95%.

Lending in Assessment Area

The bank's lending in its AA is satisfactory as it extends a majority (80% by number and 94% by dollar) of its primary loan products in the AA. To determine the level of lending in the AA, examiners selected a sample of 20 agricultural loans and 20 consumer loans granted between December 14, 2000, and December 31, 2002.

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

The level of lending to farms of different sizes and to individuals of different incomes is good. To assess the bank's performance, examiners used the sample described above of the primary loan products. The community contact also identified agricultural loans and consumer loans as the area's primary credit needs.

The bank's lending to farms of different sizes is excellent. All the loans in the examiner's sample are to farms with annual gross farm revenue of \$1 million, or less. The bank's performance exceeds the Dunn & Bradstreet 2002 demographic data, which shows 97% of farms in the AA have annual gross farm revenue of \$1 million, or less. Further breakdown of the sample shows 60% of the loans are to farms with revenues less than \$250 thousand and 30% to farms with revenues under \$100 thousand.

The bank's lending to borrowers of different income levels is satisfactory. The bank does not consistently collect income information on consumer loans, so we used loan size as a proxy for income. By using loan size as a proxy for income, the bank has a satisfactory performance of lending to individuals with low- and moderate-income levels. Demographics show 23% of households in the AA are low-income and 16% are moderate-income. Consumer loans with original balance of \$2 thousand or less represent 50% of the number of loans in the examiners' sample.

Geographic Distribution of Loans

The geographic distribution of the bank's loans in the moderate-income tract is satisfactory. The bank's AA contains one moderate-income tract (9559) and no low-income tracts. To determine the distribution in the moderate-income tract, examiners used the sample described above of the primary loan products.

The geographic distribution of agricultural loans in the moderate-income tract is good as 10% by number and 16% by dollar were to farms located in that tract. Demographics show 7% of farms are located in the moderate-income tract.

The geographic distribution of consumer loans in the moderate-income tract is acceptable. The sample did not contain any consumer loans in the moderate-income tract. Demographics indicate 7% of households in the AA are in this income tract. The bank is small and is located approximately 40 miles from this area. The area (Alfalfa County) contains six or more competing financial institutions with locations in closer proximity to the area. The size and distance, along with the existence of competing financial institutions mitigate the bank's performance in this area.

Responses to Complaints

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

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.