



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 27, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**301 North Main
Seiling, Oklahoma 73663**

**Office of the Comptroller of the Currency
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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 First National Bank of Seiling (FNB) is committed to serving the community. This is demonstrated by satisfactory lending performance, a reasonable portion of which meets the credit needs of low- and moderate-income individuals. The major factors that support this rating include:

- A substantial majority of loans are made within the Assessment Area (AA).
- The loan-to-deposit ratio is reasonable and FNB is continuing efforts to pursue lending opportunities and further improve the loan-to-deposit ratio
- The bank’s willingness to extend loans to individuals of different income levels, as well as to businesses and farms of different sizes.

SCOPE OF EXAMINATION

The review focused on FNB's three main loan product lines: agriculture; commercial real estate; and, residential real estate loans. A meaningful geographical analysis could not be performed because the bank's AA does not contain any low- or moderate-income census tracts. A sample of 25 loans was selected for each of the three product lines for a total of 75 loans originated between January 1, 2007, and March 31, 2009.

DESCRIPTION OF THE INSTITUTION

The First National Bank of Seiling is headquartered in Seiling, Oklahoma. FNB is 100 percent owned by the W.H. Pittman family. The bank and drive-in facility are located at 301 N. Main in Seiling, Oklahoma. An Automated Teller Machine (ATM) is in a local convenience store located at 403 S. Main. FNB's primary focus is to serve commercial, agriculture, and consumer customers in Seiling and the surrounding area in Dewey, Major, and Woodward Counties. FNB meets these needs by providing various loan and deposit products.

As of December 31, 2008, FNB had total assets of \$70 million, of which \$26 million, or 37 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. The bank's loan portfolio is segmented as follows:

Loan Category	\$ (000)	%
Agricultural Loans	11,675	44.32%
Commercial Real Estate Loans	5,761	21.87%
Residential Real Estate Loans	4,164	15.81%
Commercial Loans	2,331	8.85%
Consumer Loans	2,011	7.63%
Other Loans	398	1.51%
Total	\$26,340	100.00%

There are no known legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. FNB is involved in and provides support to the community's financial needs. The bank received an overall rating of Satisfactory at the last CRA examination dated December 15, 2004.

DESCRIPTION OF THE 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. Four of the tracts in the AA are middle-income tracts and Census Tract #9531 in Woodward County is an upper-income tract. FNB's bank, drive-in, and ATM are all located in Census Tract #9591 in Dewey County. Local banking competition is moderate. The area includes several community banks and branches of community banks. The following table describes the major demographic and economic characteristics of the assessment area, based on 2000 U.S. Census data.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA	
Population	
Number of Families	3,091
Number of Households	4,227
Geographies	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	80%
% Upper-Income Census Tracts/BNA	20%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$37,399
2008 HUD-Adjusted MFI	\$42,400
<i>Economic Indicators</i>	
2000 Median Housing Value	\$48,572
% of Households Below Poverty Level	13%

Source: 2000 U.S. Census and 2008 HUD updated MFI

Based on 2000 census data, the total population of the AA is 11,209. Additionally, there were 3,091 families and 4,227 households. Of the families, 15 percent are low-income families and 19 percent are moderate-income families. The median age of housing stock is 41 years. The area contained 5,306 housing units with 3,509 or 66 percent owner occupied. Households below the poverty level are moderately high at 13 percent and three percent of households receive public assistance.

The local economic conditions are good. 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. Principal employers include Seiling Public Schools, Seiling Municipal Hospital, Gore Nitrogen, Western X Ray, and DCP. The outlook for the local economy is improving with new jobs being created by wind farms and transmission lines in the area. The local economy is dependent on agriculture and the accompanying uncertainties with the weather, prices, and government programs will continue to affect local farmers and ranchers.

A community contact was conducted during this review. The contact was affiliated with city government in Seiling, Oklahoma. The contact indicated that there is a need for additional housing in the immediate Seiling area. Housing is needed for both renters and buyers. The contact indicated that FNB is very involved in community activities and has taken a leadership role in meeting area credit needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) 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 was not performed.

A random sample of 75 loans was reviewed to evaluate the bank's lending performance. Major loan products offered by the bank were sampled and consisted of 25 residential real estate loans, 25 commercial real estate loans, and 25 agriculturally related loans.

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

LOAN-TO-DEPOSIT RATIO

Lending activity within the AA is satisfactory and meets the standard for satisfactory performance. As illustrated in the table below, FNB's loan-to-deposit ratio (LTD) is lower than most of their local competitors, but has improved to 47 percent at December 31, 2008. At December 31, 2008, management has obtained approximately \$9 million in state deposits to fund investment purchases. Adjusting the LTD for these discretionary deposits results in an even higher LTD of 57 percent. The average quarterly LTD ratio of the 19 other banks chartered in Dewey and the surrounding counties is 61 percent and range from a low of 34 percent to a high of 110 percent. The quarterly average LTD ratios for FNB and the four similarly situated banks in the area are listed in the table below.

Institution	Assets as of 12/31/2008 \$ (000)	Average LTD Ratio
Community State Bank of Canton	29,175	86.28%
Bank of Vici	29,594	78.29%
The Stock Exchange Bank, Woodward	158,996	44.17%
The Farmers and Merchants National Bank of Fairview	80,593	43.16%
<i>The First National Bank of Seiling</i>	<i>69,696</i>	<i>39.32%</i>

LENDING IN ASSESSMENT AREA

FNB’s lending in the AA is very good. A substantial majority of the residential real estate, agriculture, and commercial real estate loans sampled were originated within the bank’s AA. This exceeds the standard for satisfactory performance, as illustrated in the table below.

Total Loans Reviewed										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000s)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Residential Real Estate	23	92%	2	8%	25	1,752	87%	255	13%	2,007
Agriculture	22	88%	3	12%	25	1,025	53%	916	47%	1,941
Commercial Real Estate	19	76%	6	24%	25	1,228	30%	2,926	70%	4,154
Totals	64	85%	11	15%	75	4,005	49%	4,096	51%	8,101

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES

FNB’s overall distribution of loans by income level of borrowers is satisfactory and meets the standard for satisfactory performance.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	15%	14%	19%	9%	24%	18%	42%	59%

The bank’s distribution of residential real estate loans by income level is satisfactory. The percentage of the number of home purchase loans to low- and moderate-income borrowers is close to the percentage of low- and moderate-income families in the AA. The bank’s performance is good in light of the fact that approximately 13 percent of the households in the AA have incomes below the poverty level.

Borrower Distribution of Loans to Farms				
Farm Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	100%	0%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

The loan distribution to small farms in the AA is excellent. The percentage of bank loans to farms with revenues less than \$1 million is exactly the same as the percentage of businesses/farms located in the AA with revenues less than \$1 million.

Borrower Distribution of Commercial Real Estate Loans				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	31%	2%	67%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	96%	4%	0%	100%

The loan distribution to small businesses in the AA is very good. The percentage of bank loans to businesses with 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 assessment area 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 Community Reinvestment Act performance during the 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.