



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

December 12, 2012

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

The First National Bank of Nash  
Charter Number 11306

107 S. Main Street  
Nash, OK 73761

Office of the Comptroller of the Currency

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 contributing to this rating include:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- A majority of the primary loan products are extended inside the bank's assessment area.
- The loan-to-deposit ratio is reasonable and commensurate with similarly situated institutions.
- The borrower distribution of loans represents reasonable penetration among agricultural operations of different sizes and borrowers of different incomes.

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

**SCOPE OF EXAMINATION**

First National Bank of Nash (FNB) was evaluated under the Small Bank examination procedures. This examination focus was on the lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area through its lending activities. FNB's designated assessment area includes all census tracts located within Grant County and Alfalfa County.

FNB products sampled include agriculture and consumer purpose loans. Sampled loans were originated within the evaluation period, years 2009 through 2011. FNB does not have any offices in a Metropolitan Statistical Area and is therefore not required to complete the Home Mortgage Disclosure Act reporting log.

**DESCRIPTION OF INSTITUTION**

FNB is a community bank located in rural Nash, Oklahoma. FNB is not part of a holding company and does not have any affiliates. FNB is a single bank location with an attached drive-thru located at 107 South Main Street in Nash. FNB does not have any Automated Teller Machines. No branch locations have been opened or closed since the prior CRA examination in December 2007.

FNB's primary focus is to serve the agricultural and consumer based needs of Nash and the surrounding areas. FNB is a full-service institution providing traditional loan and deposit products to meet community needs. As of December 31, 2011, total bank assets were \$16.6 million, of which \$4.2 million, or 25 percent, were comprised of various types of loans to individuals, commercial businesses, and agricultural related

enterprises. Specifically, the bank's loan portfolio as of December 31, 2011, consists of the following:

<b>Loan Portfolio Composition as of December 31, 2011</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial & Related Real Estate	\$1,695	39.4%
Agricultural Loans & Related Real Estate	\$1,544	35.9%
Residential	\$292	6.8%
Individual	\$768	17.9%
Other	\$0	0.0%

Source: 12/31/11 Call Report Schedule RC-C

Primary lending products include agricultural and consumer purpose loans.

<b>Primary Product</b>		
<b>Loan Type</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>	<b>% by Dollars of Loans Originated/Purchased during evaluation period</b>
Real Estate	0.79%	0.91%
Residential Real Estate	0.00%	0.00%
Commercial	18.48%	8.43%
<b>Household &amp; Consumer</b>	<b>10.42%</b>	<b>53.99%</b>
<b>Agriculture Production</b>	<b>70.31%</b>	<b>36.67%</b>
Total	100.00%	100.00%

Source: Bank Loan Origination Report 1/1/2009 - 12/31/2011

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 4, 2007.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB's assessment area consists of whole geographies and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. All requirements of the CRA regulation are satisfied.

FNB's assessment area is comprised of two complete political subdivisions, Grant County and Alfalfa County. Grant and Alfalfa Counties are located adjacent to each other in the north central portion of the State of Oklahoma. Grant County is comprised of two middle-income census tracts: 9564 and 9565. Alfalfa County is comprised of three middle-income census tracts: 9556, 9557, and 9560. FNB is located within census tract 9564, which is in the southwestern portion of Grant County. The following table based on 2000 U.S. Census data describes the major demographic and economic characteristics of FNB's assessment area:

<b>Demographic and Economic Characteristics of FNB's AA</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
<b>Geographies (Census Tracts)</b>	5	0.00%	0.00%	100.00%	0.00%
<b>Population by Geography</b>	11,249	0.00%	0.00%	100.00%	0.00%
<b>Owner-Occupied Housing by Geography</b>	3,442	0.00%	0.00%	100.00%	0.00%
<b>Businesses by Geography (non-farm)</b>	1,061	0.00%	0.00%	100.00%	0.00%
<b>Farms by Geography</b>	223	0.00%	0.00%	100.00%	0.00%
<b>Family Distribution by Income Level</b>	2,940	18.30%	18.67%	24.35%	38.67%
<b>Household Distribution by Income Level</b>	4,280	20.70%	17.10%	20.16%	42.03%
<b>HUD Updated MSA Median Family Income</b>			<b>Median Housing Value</b>		\$35,669
<b>HUD-Adjusted MFI: 2011</b> <b>HUD-Adjusted MFI: 2010</b> <b>HUD-Adjusted MFI: 2009</b>	\$48,800 \$47,200 \$46,400	<b>Households Below the Poverty Level</b>		13.43%	
		<b>Households on Social Security</b>		39.04%	
		<b>Households on Retirement</b>		17.29%	

Source: 2000 U.S. Census Data

The local economy is good. Agricultural products continue to be the primary driver of the economy; recent oil field activity, however, has experienced growth in the area. The growing oil field activity has presented additional employment opportunities for many community members in the oil field, oil field service industry, or other related industries, such as trucking. However, many people continue to commute to the City of Enid, 30 miles south of Nash, for employment.

Businesses in the immediate Nash area are limited and include a mini mart, restaurant, farmer's cooperative, an oil field service company, an auto repair shop, farm vehicle repair shop, and the local post office. Of those businesses, the farm vehicle repair shop and oil field service business have been opened since FNB's prior CRA evaluation in December 2007. Additionally, an antique shop is slated to open in Nash in the near future.

The recent economic downturn did not have as severe an impact on businesses and families in the assessment area, compared to the effects felt by the nation. Loss of employment in Grant and Alfalfa Counties was well below the national average during the downturn. According to the United States Department of Labor's Bureau of Labor Statistics, the national unemployment rate at December 2011 was 8.5 percent compared to the Oklahoma State unemployment rate of 6.3 percent. Furthermore, the Oklahoma Employment Security Commission indicates that at December 2011, the unemployment rates for Alfalfa County and Grant County was only 4.6 percent and 3.9 percent. The October 2012 unemployment rates present a similar picture with a national average of 7.9 percent, Oklahoma State average of 5.3 percent, Alfalfa County average of 3.8 percent, and Grant County average of 3.4 percent.

Banking competition within the assessment area is limited to institutions of similar size and characteristics scattered throughout small towns in Grant County and Alfalfa County.

During this CRA examination, a community contact was made with a member of the Grant County Oklahoma Cooperative Extension Service (OCES). OCES is a state agency. It focuses on developing science-based educational programs to help Oklahomans solve local issues and concerns, promote leadership and manage resources wisely. The Grant County OCES covers Nash and six other towns, as well as two cities within the county. According to a member of Grant County OCES, Nash is a very small, close community where everyone knows each other. The OCES representative felt the Bank was responsive to meeting the needs of the community and indicated that the Bank sponsored 4H clubs, made information available on nutritional programs and distributed relevant literature in bank statements. The OCES representative noted that the Bank was particularly helpful to the local school and further indicated that the Bank would provide whatever assistance was requested to improve the quality of life in the local community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

This Performance Evaluation assesses FNB's 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. Since FNB's assessment area does not include any low- or moderate-income census tracts, a geographic distribution of loans within the assessment area would not be meaningful and was therefore not performed.

To assess FNB's lending performance, a total of 25 agriculture loans and 27 consumer loans originated during the evaluation period, 2009 through year-end 2011, were evaluated. Agricultural loans and consumer loans serve as FNB's primary lending products. Based on analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

### **Loan-to-Deposit Ratio**

FNB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance and is reasonable given the bank's size, financial condition, and assessment area needs. The average quarterly LTD ratio is 41.24 percent for the period ranging from January 2008 through September 2012. Ratios of five similarly situated banks were evaluated over the same period. The quarterly average LTD ratio for the other institutions is 38.40 percent with a range of 27.81 percent to 48.31 percent. The following table shows total assets as September 30, 2012, and the average LTD ratio for FNB as well as the other five similarly situated banks:

Institution	Assets as of 9/30/12 \$(000)	Average LTD Ratio
The Freedom State Bank	23,218	48.31
Grant County Bank	79,606	46.18
<b>The First National Bank of Nash</b>	<b>16,600</b>	<b>41.24</b>
First State Bank	23,865	48.31
Cleo State Bank	88,581	34.02
The Hopeton State Bank	24,412	27.81

Source: Uniform Bank Performance Reports

### Lending in Assessment Area

FNB's lending in their assessment area meets the standards for satisfactory performance. The majority of agricultural and consumer loans randomly sampled were originated within Grant County or Alfalfa County, FNB's designated assessment area. This conclusion is based on a random sample of 25 agricultural loans and 25 consumer loans originated during FNB's evaluation period ranging from 2009 to year-end 2011. The following table depicts FNB's lending in their assessment area:

Lending in FNB's AA										
Loan Type	Number of Loans					Dollars of Loans				Total
	Inside		Outside		Total	Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Agriculture Production	20	80.00%	5	20.00%	25	825,741	83.97%	157,673	16.03%	983,414
Consumer & Household	19	76.00%	6	24.00%	25	189,474	72.69%	71,200	27.31%	260,674
Totals	39	78.00%	11	22.00%	50	1,015,215	81.60%	228,873	18.40%	1,244,088

Source: Bank Documents; Random Sample of 25 Agriculture & 25 Consumer Loans

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

Distribution of loans reflects a reasonable penetration and meets the standards for satisfactory performance for lending among borrowers of different incomes and agricultural operations of different sizes. The following tables represent the distribution of lending based on samples of 20 agricultural loans and 20 consumer loans originated within FNB's assessment area during the evaluation period, 2009 through year-end 2011:

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	97.31%	0.90%	1.79%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Dunn & Bradstreet Data; Agriculture Loan Sample

FNB's distribution to agricultural operations of different sizes is reasonable. All agricultural loans sampled were originated to small operations with annual gross revenues of less than \$1 million and comparable to the percentage of small operations represented in the assessment area.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans	% of AA Households	% of # of Loans
Consumer Loans	20.70%	20.00%	17.10%	20.00%	42.03%	15.00%	13.43%	45.00%

Source: Dunn & Bradstreet Data; Consumer Loan Sample

FNB's distribution of loans to borrowers of different incomes is reasonable. The number of consumer loans originated to low- and moderate-income borrowers is comparable to the percentages of low- and moderate-income households represented in the assessment area.

### Geographic Distribution of Loans

An analysis of the geographic distribution of loans sampled would not be meaningful since there are no low- or moderate-income census tracts in FNB's assessment area.

### Responses to Complaints

There have been no consumer complaints pertaining to FNB's CRA performance 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.