



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 30, 2012**

### **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

ADC-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 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 a reasonable penetration among businesses and agricultural operations of different sizes.

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.

## SCOPE OF EXAMINATION

The Shattuck National Bank (SNB) was evaluated under the Small Bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The bank's AA was reviewed and includes all census tracts in Ellis County.

SNB products sampled included agricultural and business loans, along with their related real estate loans. Sampled loans were originated within the evaluation period which encompassed years 2008 through 2011. SNB 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

SNB is a community bank located in Shattuck, Oklahoma. SNB is wholly owned by Shattuck Bancshares, Inc., a one-bank holding company. Bank locations include the main bank and drive-thru at 503 S. Main Street in Shattuck. Cash-dispensing only Automated Teller Machines (ATMs) are available in the lobby of the main bank; Venture Grocery at 1600 S. Main Street, Shattuck; and El Tipi at Hwy 283 and Rock Creek Road, Shattuck. The ATM located at El Tipi has been added since the prior Community Reinvestment Act (CRA) examination. Additionally, SNB plans to replace the bank lobby ATM with a drive-up ATM across the street from the bank's location. No branch locations have been opened since the prior CRA examination.

SNB's primary focus is to serve agricultural, commercial, and consumer customers in Shattuck and the surrounding areas. SNB is a full-service institution providing traditional loan and deposit products to meet the community needs. As of December 31, 2011, total bank assets were \$59.5 million and gross loans and leases as a percentage of total assets were 61 percent. SNB loan portfolio composition is depicted in the following table:

<b>Loan Portfolio Composition as of December 31, 2011</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial & Related Real Estate	\$24,179	66.9%
Agricultural & Related Real Estate	\$8,467	23.4%
Residential	\$2,065	5.7%
Consumer & Other	\$1,407	3.9%

*Source: 12/31/11 Call Report*

There are no legal or financial impediments to SNB's ability to meet the credit needs of its AA. The bank was rated Satisfactory at its last CRA examination dated January 22, 2008.

## DESCRIPTION OF ASSESSMENT AREA

SNB'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.

SNB's assessment area is comprised of the entire political subdivision classified as Ellis County. Ellis County is located in the northwestern portion of Oklahoma and is comprised of two middle-income census tracts, 9526 and 9528. The bank's building location and drive-thru; as well as, all three ATMs are located within census tract 9526 which is the northern portion of the county. The following table based on 2000 U.S. Census data describes major demographic and economic characteristics of SNB's assessment area, Ellis County:

<b>Demographic and Economic Characteristics of Ellis County Assessment Area</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
<b>Geographies (Census Tracts)</b>	2	0%	0%	100%	0%
<b>Population by Geography</b>	4,075	0%	0%	100%	0%
<b>Owner-Occupied Housing by Geography</b>	1,427	0%	0%	100%	0%
<b>Businesses by Geography (non-farm)</b>	491	0%	0%	100%	0%
<b>Farms by Geography</b>	83	0%	0%	100%	0%
<b>Family Distribution by Income Level</b>	1,227	16.63%	21.92%	22.74%	38.71%
<b>Household Distribution by Income Level</b>	1,774	18.77%	19.90%	23.17%	38.16%
<b>Census Median Family Income (MFI) Non-MSA</b>			<b>Median Housing Value</b>		\$37,603
<b>HUD-Adjusted MFI: 2011</b>		\$48,800	<b>Households Below Poverty Level</b>		12.80%
<b>HUD- Adjusted MFI: 2010</b>		\$47,200	<b>Households on Social Security</b>		40.30%
<b>HUD – Adjusted MFI 2009</b>		\$46,400	<b>Households on Retirement</b>		14.99%

Source: 2000 U.S. Census Data

The current state of the local economy for the assessment area is characterized as good with the oil & gas sector picking up strength. Primary employment sectors in Ellis County are farming, oil & gas services, and retail trade. Major employers for the area are J & L Oil Field Services, Shattuck Public Schools, Newman Memorial Hospital, Johnston Grain, Shattuck Nursing Center, Venture Grocery, Dollar General, and ALCO.

The recent economic downturn had limited impact on businesses and families in the AA. Average unemployment for Ellis County is low at approximately 2.1 percent compared to the Oklahoma State average unemployment rate of approximately 5.4 percent. This is according to The Oklahoma Employment Security Commission as of March 2012.

Local banking competition within Ellis County stems from Farmers & Merchants Bank in Arnett, OK and an Oklahoma State Bank of Buffalo branch located in Gage, OK. Additional competition includes banks in the surrounding Oklahoma areas of Laverne, Vici, and Woodward; as well as, those banks in Follett and Higgins, TX.

In conducting the assessment of the bank's performance, a community contact was made with a member of the local school system. The contact indicated that the credit needs of the community are being adequately satisfied. There will be increasing credit needs as the local oil & gas sector continues to experience growth; however, the contact stated that SNB is aggressive in surveying the credit needs of the community in an active effort to appropriately meet them. SNB is an active member of the community, and does a good job meeting community needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This evaluation assesses SNB'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 of different sizes; geographic distribution of loans; and responses to CRA related complaints. Since, SNB's AA does not include any low- or moderate-income census tracts, a geographic distribution of loans within the assessment area would not be meaningful and is therefore not performed. Additionally, lending to consumer borrowers of different incomes is not evaluated given SNB's two primary loan products are agricultural and commercial related loans.

To assess SNB's lending performance, a total of 35 agricultural loans and 29 commercial loans originated during the evaluation period, 2008 through year-end 2011 were evaluated. 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 meets the standards for satisfactory performance and is reasonable given the bank's size, financial condition, and assessment area credit needs. The average quarterly LTD ratio is 59.81 percent for the period ranging from March 2008 to December 2011. Ratios of five similarly situated banks were evaluated over the same period. The quarterly average LTD ratio for the other institutions is 55.5 percent with a range from 45.76 percent to 66.85 percent. The following table shows total assets as of December 31, 2011 and the average LTD ratio for SNB, as well as the other five similarly situated banks:

Institution	Assets as of 12/31/11 \$(000)	Average LTD Ratio
<b><i>The Shattuck National Bank</i></b>	<b>\$59,469</b>	<b>59.81</b>
Bank of Vici	\$41,657	66.85
Oklahoma State Bank	\$48,763	52.68
Farmers and Merchants Bank	\$53,474	59.37
Bank of Laverne	\$63,545	45.76
The First National Bank of Seiling	\$81,161	52.83

Source: Uniform Bank Performance Reports

### Lending in Assessment Area

SNB's lending in their AA meets the standard for satisfactory performance. A majority of agricultural and commercial loans were originated in SNB's AA. This conclusion is based on a random sample of 25 agricultural loans and 24 commercial loans that were originated during SNB's evaluation period, 2008 to year-end 2011. The following table depicts SNB's lending in their AA:

Lending in Ellis County Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	10	40%	15	60%	25	476,311	7%	6,018,286	93%	6,494,597
Commercial	15	63%	9	38%	24	3,510,001	65%	1,856,568	35%	5,366,569
Totals	25	51%	24	49%	49	3,986,312	34%	7,874,854	66%	11,861,166

Source: Bank Reports; Random Sample of 25 Agricultural & 24 Commercial Loans

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

Distribution of loans reflects a reasonable penetration and meets the standard for satisfactory performance for lending among businesses and agricultural operations of different sizes. The following tables represent the distribution of lending based on the samples of 20 agricultural loans and 20 commercial loans originated within SNB's AA during the evaluation period, 2008 through year-end 2011.

Borrower Distribution of Loans to Farms in Ellis County Assessment Area				
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 #	90.00%	10.00%	0.00%	100%
% of Bank Loans in AA by \$	80.97%	19.03%	0.00%	100%

Source: 2000 U.S. Census Data & Agricultural Loan Sample

SNB's distribution to agricultural operations of different sizes is reasonable. A majority of agricultural loans were originated to small operations with annual gross revenues of less than \$1 million.

Borrower Distribution of Loans to Businesses in Ellis County Assessment Area				
Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	48.88%	3.05%	48.07%	100%
% of Bank Loans in AA by #	70.00%	30.00%	0.00%	100%
% of Bank Loans in AA by \$	19.48%	80.52%	0.00%	100%

Source: 2000 U.S. Census Data & Commercial Loan Sample

SNB's distribution of loans to businesses exceeds the standard. A majority of loans are originated to small commercial businesses with annual gross revenues of less than \$1 million. However a large percentage of the businesses in the AA did not report revenues or revenues were unavailable or unknown, as reflected in the table above.

### **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 SNB's AA.

### **Responses to Complaints**

There have been no consumer complaints pertaining to SNB's CRA performance during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices**

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