



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 28, 2003

***COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION***

**The Shattuck National Bank
Charter Number 9987**

**503 South Main
Shattuck, Oklahoma 73858**

**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.

TABLE OF CONTENTS

| | |
|--|----------|
| INSTITUTION'S CRA RATING..... | 2 |
| DESCRIPTION OF INSTITUTION..... | 3 |
| DESCRIPTION OF ASSESSMENT AREA..... | 4 |
| CONCLUSIONS ABOUT PERFORMANCE CRITERIA..... | 5 |

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- A majority of the bank's loans are made within the assessment area (AA).
- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The loan-to-deposit ratio has significantly increased since the last examination and is comparable to other banks in the community.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

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 Disclosure.

DESCRIPTION OF INSTITUTION

The Shattuck National Bank (SNB) is headquartered in Shattuck, Oklahoma. It is wholly owned by Shattuck Bancshares, Inc., a one-bank holding company.

The main bank and drive-through facility is located at 503 South Main in Shattuck, Oklahoma. A 24-hour cash-dispensing only automated teller machine (ATM) is available at the main bank and a second cash-dispensing ATM is located in the Venture grocery store at 1600 South Main in Shattuck. The bank's primary focus is to serve agricultural, consumer and commercial customers in Shattuck and the surrounding areas in Ellis County. SNB meets these needs by providing various loan and deposit products.

As of March 31, 2003, SNB's total assets equaled \$34,449,000 of which \$11,347,000 or 32.94 percent, were composed of various types of loans to individuals and businesses. Specifically, the bank's loan portfolio consists of the following:

| Loan Category | \$ (000) | % |
|-------------------------|-----------------|---------------|
| Agriculture Loans | 5,443 | 47.97 |
| Consumer Loans | 2,080 | 18.33 |
| Commercial Loans | 1,996 | 17.59 |
| Residential Real Estate | 1,828 | 16.11 |
| Total | 11,347 | 100.00 |

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received an overall rating of Satisfactory at its last Community Reinvestment Act examination, which was dated July 20, 1998.

DESCRIPTION OF THE SHATTUCK NATIONAL BANK'S ASSESSMENT AREA

The assessment area adopted by Shattuck National Bank (SNB) consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

| DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA | |
|---|--------|
| Population | |
| Number of Families | 1,340 |
| Number of Households | 1,840 |
| Geographies | |
| Number of Census Tracts/BNA | 3 |
| % Low-Income Census Tracts/BNA | 0% |
| % Moderate-Income Census Tracts/BNA | 0% |
| % Middle-Income Census Tracts/BNA | 100% |
| % Upper-Income Census Tracts/BNA | 0% |
| Median Family Income (MFI) | |
| 1990 MFI for AA | 24,139 |
| 2002 HUD-Adjusted MFI | 34,200 |
| Economic Indicators | |
| Unemployment Rate | 1.0% |
| 1990 Median Housing Value | 29,694 |
| % of Households Below Poverty Level | 16.0% |

The assessment area is located in Northwestern Oklahoma and contains three block numbering areas (BNA). The assessment area encompasses the entire area of Ellis County. SNB's main bank, drive-in and both ATMs are located in BNA #9527 in Ellis County. Based on 1990 census data, the United States Census Bureau identifies all three BNA's as middle income.

Based on 1990 data, the assessment area has a total population of 4,497. The area contained 2,449 housing units with 1,467 units or 59 percent owner-occupied. Additionally, there were 1,340 families and 1,840 households in the area. Sixty-four percent of the households derive their income from wages or salaries. Households below the poverty level total 304 or 16 percent; and households that receive public assistance total 72 or 3 percent of the total number of households. The largest employment sectors in Ellis County were farm, services, and retail trade.

The assessment area is served by one other stand-alone bank in Arnett, Oklahoma (Farmers & Merchants Bank, Arnett) and by a branch of another bank in Gage, Oklahoma (Oklahoma State Bank, Buffalo). Local banking competition includes those banks in Ellis County, those in Laverne and Vici, Oklahoma, and stand-alone banks and branches of larger banks in Woodward, Oklahoma.

A community contact was conducted during this review to help ascertain the credit needs of the assessment area. According to the contact the bank is fulfilling the immediate credit needs of the community, and the bank and its officers are recognized for their involvement in various

community development activities in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Performance Evaluation (PE) assesses the bank'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 business/farms of different sizes, geographic distribution of loans, and responses to complaints. Because Shattuck National Bank's assessment area does not include any low or moderate income BNA's, a geographic distribution of the bank's loans within the assessment area would not be meaningful and was not performed.

In evaluating the bank's lending performance, a random sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following loans originated in 2003, 2002, and 2001: Agriculture loans, including both Ag-real estate and Ag-non-real estate (20); Consumer loans (20); and Residential real estate loans (20).

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is satisfactory given the institution's size, financial condition, and assessment area credit needs. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 1998 through March 31, 2003, which was 35.20 percent. During this same period, the average LTD ratio for the nine banks in Ellis and contiguous counties was 47.55 percent. The bank's low LTD ratio for the period was 30.27 percent on June 30, 2000. The high ratio for the period was 40.39 on March 31, 2003. The bank's most recent LTD ratio indicates the bank has made significant progress in increasing its lending relative to deposits since the last CRA examination. At March 31, 2003 the bank's LTD ratio had climbed to 40.39 percent, compared to 31.04 percent on March 31, 1998, an increase of 935 basis points.

The average loans-to-deposit ratio for the nine banks operating in Ellis and the five contiguous counties at March 31, 2003 was 51.78 percent. The ratios of the group ranged from 35.27 percent to 75.59 percent. The table below illustrates the bank's average LTD ratio since June 30, 1998 has been at the low-end but still in line with the LTD ratios of the other banks. It is noted that at March 31, 2003, the bank's actual LTD ratio was 40.39 percent, and the bank's actual quarterly LTD ratios for the last eighteen months have consistently exceeded the LTD ratios of two of the nine banks in the six-county area.

| Institution | Assets (as of 3/31/03) \$ (000) | Average LTD Ratio |
|--------------------------------|------------------------------------|-------------------|
| First National Bank of Seiling | 56,688 | 36.98% |
| Bank of Laverne, Laverne | 46,755 | 38.40% |
| Bank of Vici, Vici | 22,305 | 48.09% |
| Oklahoma State Bank, Buffalo | 33,517 | 50.04% |
| Shattuck National Bank | 34,449 | 35.20% |

Lending in Assessment Area

Shattuck National Bank's lending in their assessment area meets the standards for satisfactory performance. The table below showing the sampled loans and the bank's internal data indicates that a majority of credit is extended within the assessment area.

| Total Loans Reviewed | | | | | | | | |
|-------------------------|--------------------|-------|-----------|-------|------------------------|-------|-----------|-------|
| LOAN TYPE | IN ASSESSMENT AREA | | | | OUT OF ASSESSMENT AREA | | | |
| | # | % | \$ (000s) | % | # | % | \$ (000s) | % |
| Agricultural | 15 | 75.00 | 569 | 52.54 | 5 | 25.00 | 514 | 47.46 |
| Consumer | 16 | 80.00 | 156 | 52.86 | 4 | 20.00 | 139 | 47.14 |
| Residential Real Estate | 16 | 80.00 | 589 | 73.48 | 4 | 20.00 | 212 | 26.52 |
| TOTAL REVIEWED | 47 | 78.33 | 1,314 | 60.30 | 13 | 21.66 | 865 | 39.70 |

A majority of the bank's credit is extended within the Ellis County assessment area. To analyze the lending distribution within Ellis County, the bank tracks loan distribution by zip codes. As of December 31, 2002, internal reports indicate 66 percent of total loans are within the assessment area, including a large purchased loan. Adjusting for this participation, 75 percent of the outstanding loans were within the assessment area. Sixty-eight (68) percent of all consumer loans and 54 percent of all agriculture loans were within the assessment area. Adjusting the agriculture loan totals for the participation, 76 percent of the agriculture credit extended was within the assessment area.

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

The Shattuck National Bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

The following tables represent a reasonable distribution of lending based on randomly selected samples of 20 consumer loans, 20 residential real estate loans, and 20 agriculture loans extended within the assessment area.

| Consumer | | | | | | | | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| BORROWER INCOME LEVEL | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Households | 21.80 | | 16.30 | | 21.60 | | 40.30 | |
| Sample Loans In AA | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| 16 LOANS | 18.75 | 23.06 | 12.50 | 7.57 | 31.25 | 29.69 | 37.50 | 39.68 |

The number and amount of consumer loans extended to low- and moderate-income households compares satisfactorily to the percentages of those households represented in the assessment area.

| Residential Real Estate | | | | | | | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| BORROWER INCOME LEVEL | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Families | 16.94 | | 21.19 | | 24.10 | | 37.76 | |
| Sample Loans In AA | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| 16 LOANS | 12.50 | 10.29 | 31.25 | 22.12 | 18.75 | 13.90 | 37.50 | 53.69 |

The number and amount of residential real estate loans extended to low- and moderate-income households compares satisfactorily to the percentages of those households represented in the assessment area.

| Borrower Distribution Of Small Loans To Agriculture-Businesses | | |
|--|--------------|--------------|
| AGRICULTURE-BUSINESS REVENUES | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Ag-Businesses | 96.51 | 3.49 |
| % of SNB Ag-Bus Loans in AA # | 86.67 | 13.33 |
| % of SNB Ag-Bus Loans in AA \$ | 84.63 | 15.37 |

The level of agriculture business lending revealed that a majority of loans were extended to small agriculture businesses with annual gross revenues of less than \$1 million per year.

Additionally, The Shattuck National Bank facilitates agriculture lending by assisting customers in obtaining loan guarantees from the Farm Service Administration (FSA guaranties). At June 30, 2003, nine agriculture loans, totaling \$1,336,674 principal outstanding, were in the loan portfolio. Since the last CRA examination, the bank has continued to participate in the Agriculture Links Deposit Program. At June 30, 2003, four borrowers were in this program. The current low interest rate environment has reigned-in the program's benefits, but when market interest rates ultimately begin rising, this program will be available to assist agricultural borrowers by reducing the cost of their credit.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since there are no low- or moderate-income BNAs in the assessment area.

Responses to Complaints

There have been no consumer complaints regarding the bank's CRA performance during the evaluation period.

Fair Lending Review

An analysis of 1999 – 2003 public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. The bank has a good history of complying with anti-discrimination laws. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.