

# **PUBLIC DISCLOSURE**

**April 8, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Cyril State Bank  
Certificate Number: 18558**

**201 West Main  
P.O. Box 89  
Cyril, Oklahoma 73029-0089**

### **FEDERAL DEPOSIT INSURANCE CORPORATION**

**Division of Supervision and Consumer Protection  
1910 Pacific Avenue, 19th Floor  
Dallas, Texas 75201**

**NOTE: 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.**

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Cyril State Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **April 8, 2004**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated **Satisfactory**.

The FDIC rated Cyril State Bank "Satisfactory" at its previous evaluation dated March 18, 1999.

For this \$23 million bank headquartered in the rural community of Cyril, Oklahoma, examiners reviewed the small bank performance factors: loan-to-deposit ratio, lending inside the assessment area, lending to small businesses and borrowers of different incomes, geographic distribution of loans, and response to complaints. Because the bank's assessment area is composed of only upper-income tracts, the geographic distribution of loans played no part in determining the bank's performance rating. The bank received no CRA related complaints since the previous evaluation, so examiners did not consider this factor in the overall rating. Management did not request a review of investments and services.

The bank demonstrated a satisfactory level of performance regarding its loan-to-deposit ratio and lending inside the assessment area. Examiners then emphasized the bank's record regarding its distribution of loans to businesses of different sizes and small farms when arriving at the overall rating. Examiners used a random sample of commercial and agricultural loans made during 2003 to determine the bank's record. Examiners weighted more heavily the performance for commercial loans than agricultural loans when arriving at the applicable performance factor conclusions, as commercial loans are the bank's primary lending focus. Conclusions for the applicable performance factors are summarized below. A detailed discussion of each factor is provided elsewhere in this Public Evaluation.

- The institution's average loan-to-deposit ratio of 46 percent reflects a satisfactory level of performance considering the bank's resources and business strategy as well as the assessment area's credit needs and other comparable banks' ratios.

- The bank demonstrated a satisfactory record of granting credit inside its assessment area as reflected in the 88 percent by number and 78 percent by dollar volume of loans made in the assessment area. This evaluation took into consideration the assessment area's size relative to the bank's asset size and office structure.
- The institution exhibited a satisfactory record of dispersing loans to businesses of different sizes and small farms as measured by gross annual revenues of the businesses and gross annual sales of the farms.
- The bank's assessment area consists of all upper-income tracts so the geographic distribution factor played no part in this evaluation.

## DESCRIPTION OF INSTITUTION

Cyril State Bank is a \$23 million institution located in the rural community of Cyril, with a population of 1,168 based on the 2000 U.S. Census. Cyril is in Caddo County, Oklahoma, approximately 65 miles southwest of Oklahoma City. The bank operates one automatic teller machine located at the bank.

Cyril State Bank is a family owned bank. There are no legal or financial impediments that would deter the bank in meeting the credit needs of the community. The bank offers agricultural, commercial, residential, and consumer loans, along with a variety of deposit accounts.

The institution is primarily a commercial lender, with 36 percent of its loan portfolio in commercial lending, including construction and land development, secured by commercial real estate, and commercial and industrial loans. Agricultural loans represent 22 percent of the loan portfolio, consumer loans represent 25 percent, and home mortgage loans represent 10 percent. As of December 31, 2003, loans represent 35 percent of total assets, with investments at 45 percent of assets. Table 1 below provides further details of the bank's loan distribution.

<b>Table 1 – Loan Distribution as of 12/31/2003</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	50	.63
Secured by Farmland	765	9.59
1-4 Family Residential	776	9.73
Commercial	1,796	22.51
<b>Total Real Estate Loans</b>	<b>3,387</b>	<b>42.46</b>
Commercial and Industrial	1,059	13.28
Agricultural	984	12.34
Consumer	2,011	25.21
Other	536	6.71
<b>Total Loans</b>	<b>7,977</b>	<b>100.00</b>

*Source: Report of Condition*

The institution's financial condition, full line of product offerings, and lack of legal impediments allows management the ability to meet community credit needs.

A community contact was performed during the evaluation. The contact stated that the local population is steadily growing. He said many people are moving into the area from Lawton. He stated that an on/off exit going to Lawton on the turnpike would help the community grow even more. The contact thought that the local financial institution was supportive of the community.

## DESCRIPTION OF THE ASSESSMENT AREA

The assessment area is composed of six upper-income geographies. These rural geographies are located in eastern Caddo, southern Grady, and northeastern Comanche Counties. The institution is located in the south eastern corner of Caddo County. The area is contiguous and does not arbitrarily exclude any low- or moderate-income areas. Further detail on the assessment area is contained in Appendix A, and definitions of terms are found in the Glossary. Table 2 summarizes demographic data about the area from the 2000 U. S. Census.

<b>Table 2 – Demographic &amp; Economic Characteristics of the Assessment Area</b>	
Assessment Area Population	26,860
<b>Assessment Area Median Family Income:</b>	
2000 Median Family Income	\$24,139
2002 Estimated Median Family Income(*)	\$34,200
2003 Estimated Median Family Income(*)	\$39,400
<b>Percentage of Households by Income Level of Household:</b>	
Low-Income	23.8%
Moderate-Income	15.8%
Middle-Income	19.2%
Upper-Income	41.2%
<b>Number of Total Housing Units:</b>	
1-4 Family Residential	9,112
Multi-Family	213
Mobile Home or Trailer	1,850
Other	92
Owner-Occupied Housing Units	7,672
Occupied Rental Housing Units	2,083
Vacant Housing Units	1,512
<b>Percentage of Total Housing Units:</b>	
1-4 Family Residential	80.9%
Multi-Family	1.9%
Mobile Home or Trailer	16.4%
Other	0.8%
Owner-Occupied Housing Units	68.1%
Occupied Rental Housing Units	18.5%
Vacant Housing Units	13.4%
<b>Median Housing Characteristics:</b>	
Median Age in Years	21
Median Home Value	\$34,742
Median Gross Rent	\$274

*Source: 2000 U. S. Census; \* This figure is based on estimates from the Department of Housing and Urban Development (HUD).*

The assessment area's geographies are made up primarily of small rural towns. The area's four largest industries, as a percentage of total employees are; government (38 percent), services (18 percent), retail trade (15 percent), and manufacturing (7 percent). Approximately 96 percent of the businesses employ less than 50 people each. The major employer in Caddo County is Western Farmers Electric Coop in Anadarko, in Comanche County the major employer is Goodyear Tire and Rubber Company, and in Grady County Arvinmeritor Inc., a motor vehicle

parts business, is the major employer. Unemployment rates for Comanche and Grady Counties have increased over the past four quarters by .4 percent and .2 percent, respectively but remain below the Oklahoma State rate. Caddo County's unemployment rate has decreased by .1 percent over the same time period and is above the Oklahoma State rate.

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

### ***Sampling Data***

This evaluation covers the period from the previous evaluation dated March 18, 1999, to April 8, 2004. As shown previously in Table 1, the bank's primary loan product is commercial loans at 36 percent followed by consumer loans at 25 percent, agricultural loans at 22 percent, and 1-4 family residential loans at 10 percent. Examiners used all outstanding loans to evaluate the loan-to-deposit ratio, all loans made since the last evaluation that are still on the books for lending in the assessment area, and a sample of commercial and agricultural loans for 2003 were used to evaluate lending to business of different sizes and small farms and geographic distribution. Examiners weighted more heavily the performance for commercial loan products when arriving at conclusions, as they represent the largest segment of the bank's loan portfolio. One to four family residential loans were not reviewed as they make up only 10 percent of the banks loan portfolio.

The bank has had the same lending focus throughout the assessment period; therefore, examiners considered recent lending performance to be representative of the entire evaluation period. Random samples of the commercial and agricultural loans for 2003 were selected for review. The commercial loan universe for the selected time period was 38 loans totaling \$1,271,000 and the agricultural loan universe for the same time period was 48 loans totaling \$813,000. The commercial sample was 26 loans totaling \$964,000. The agricultural loan sample was 24 loans totaling \$370,000. The sample sizes were determined using a 90 percent confidence interval and 15 percent precision level.

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

Cyril State Bank demonstrated a satisfactory record regarding this performance factor. Examiners considered the bank's size, capacity and lending strategy, assessment area credit needs, and the ratios of similar banks when arriving at this conclusion.

Since loans are primarily funded through a bank's deposits, a bank's loan-to-deposit ratio is an indicator of an institution's level of lending activity. As of December 31, 2003, Cyril State Bank's average loan-to-deposit ratio for the twenty quarters since the prior evaluation, March 18, 1999, was 46 percent. Since March 31, 1999, net loans have decreased 5 percent while total deposits have increased 9 percent. As of December 31, 2003, the ratio of net loans to deposits was 44 percent.

Examiners compared the bank's performance to that of other area banks with comparable total asset size and loan portfolio product characteristics. Cyril State Bank's ratio compares favorably to the similarly situated banks' ratios. Table 3 shows the average loan-to-deposit ratio for the twenty quarters since the previous evaluation dated March 18, 1999, for the subject bank and comparable banks. The comparable institutions are listed alphabetically by town, with no inference of ranking.

<b>Table 3 – Comparison of Loan-to-Deposit Ratios March 31, 1999 through December 31, 2003</b>		
<b>Bank Name and Location</b>	<b>Total Assets (000s) as of 12/31/03</b>	<b>Average Loan-to-Deposit Ratio</b>
<i>Cyril State Bank Cyril, Oklahoma</i>	22,501	46%
<b>Comparable Banks</b>		
The Farmers Bank Carnegie, Oklahoma	29,453	77%
The First National Bank of Fletcher Fletcher, Oklahoma	16,962	30%
Washita Valley Bank Fort Cobb, Oklahoma	28,987	53%
The Bank of Verden Verden, Oklahoma	19,500	59%

*Source: Reports of Condition*

The average loan-to-deposit ratios of the comparable banks range from 30 to 77 percent. The bank's ratio compares favorably to the similarly situated banks' ratios. The bank's performance demonstrates its commitment to meeting the credit needs of its community and is considered satisfactory.

### **Lending in the Assessment Area**

The institution attained a satisfactory record of lending within its assessment area. As noted in the table below, the performance within the assessment area is 88 percent for number and 78 percent for dollar volume. Additionally, examiners considered the following factors when evaluating this performance factor: the bank's asset size, office structure, the assessment area's size, the economy, and the loan products reviewed.

Examiners considered the number of loans more significant than the dollar volume, as smaller dollar loans have less impact on lending totals but tend to help smaller businesses and farms. Table 4 shows the distribution of outstanding loans.

Table 4 - Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>Loans 03/18/1999 to 01/13/2004</b>	560	88	75	12	635	7,293	78	2,027	22	9,320

Source: Bank loans records

### Lending to Businesses of Different Sizes and Small Farms

Overall, the bank has demonstrated a satisfactory record in lending to businesses of different sizes and small farms. This conclusion is based on the samples of commercial and agricultural loans reviewed and discussed in detail below. Examiners placed greater weight on the bank's performance relating to commercial loans, the bank's primary loan product, than on agricultural loans. Performance for each loan category is satisfactory. Only loans made within the assessment area were reviewed for this factor with emphasis placed on the loan distribution to small businesses and small farms.

#### *Business Lending*

The institution displayed a satisfactory record of lending to small businesses. Examiners focused on the companies' gross annual revenues, a direct indication of the bank's efforts at offering credit to smaller businesses.

The data in Table 5 shows that a majority or 85 percent by number of the bank's lending is to small businesses with gross annual revenues of less than \$1,000,000 and that 73 by number of the lending is to very small businesses with revenues under \$100,000. The performance compares favorably to the 2003 Dun & Bradstreet data that shows 61 percent of businesses in the assessment area have revenues of less than \$1,000,000.

Table 5 - Distribution of Business Loans by Gross Annual Revenues of Business							
Gross Annual Revenues (000s)	Assessment Area Businesses*		Bank	2003			
	#	%		#	%	\$	%
≤ \$1,000	504	61	≤ \$100	19	73	280	29
			> \$100 ≤ \$250	2	8	91	10
			> \$250 ≤ \$1000	1	4	31	3
			<i>Subtotal</i>	22	85	402	42
> \$1,000 or NA	316	39	>\$1,000 or NA	4	15	562	58
<b>Total</b>	<b>820</b>	<b>100</b>	<b>Total</b>	<b>26</b>	<b>100</b>	<b>964</b>	<b>100</b>

Source: Business Loan Sample; Dun & Bradstreet

### ***Agricultural Lending***

The institution displayed a satisfactory record of lending to small farms. Examiners focused on the farms' gross annual revenues; a direct indication of the bank's efforts at offering credit to small farmers.

The data in Table 6 shows that 100 percent of the bank's lending is to small farms with gross annual farm revenues of less than \$1,000,000 and that 96 percent by number of the lending is to very small farms with revenues under \$100,000. The performance compares favorably to the 2003 Dun & Bradstreet data that shows 95 percent of farms in the assessment area have revenues of less than \$1,000,000.

Table 6 - Distribution of Farms by Gross Annual Revenues of Farms							
Gross Annual Farm Revenues (000s)	Assessment Area Farms*		Bank	2003			
	#	%		#	%	\$	%
≤ \$1,000	148	95	≤ \$100	23	96	352	95
			> \$100 ≤ \$250	0	0	0	0
			> \$250 ≤ \$1000	1	4	18	5
			<i>Subtotal</i>	<i>24</i>	<i>100</i>	<i>370</i>	<i>100</i>
> \$1,000 or NA	7	5	>\$1,000 or NA	0	0	0	0
<b>Total</b>	<b>155</b>	<b>100</b>	<b>Total</b>	<b>24</b>	<b>100</b>	<b>370</b>	<b>100</b>

Source: \*Dun & Bradstreet, Loan Sample

After consideration of the bank's performance regarding the two loan products analyzed, the bank exhibited a satisfactory record of dispersing loans to small farms and businesses of different sizes.

### Geographic Distribution of Loans

The bank's assessment area consists of all upper-income geographies. Because of the homogeneous income nature of the assessment area, the geographic distribution of loans was not considered in determining the bank's overall rating.

### Response to Complaints

The bank has not received any CRA-related complaints since the last evaluation.

### Compliance with Anti-Discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.

## GLOSSARY

**Assessment Area** - a geographic area delineated by the bank in accordance with the requirements of the Community Reinvestment Act.

**Census Tract** - a small locally demarcated area, usually in a metropolitan neighborhood, defined by the Census Bureau to generally consist of stable boundaries and an average population of 4,000.

**Dun & Bradstreet** – a leading provider of business information for credit, marketing and purchasing decisions in the U.S. and worldwide.

**Geography** - a census tract or block numbering area delineated by the U.S. Census Bureau in the most recent decennial census.

**Low-income** -

- for a census tract - this refers to income levels less than 50% of the MFI for the MSA in which the tract is located.
- for individuals - this refers to income levels less than 50% of the 2000 Median Family Income (MFI).

**Median Family Income (MFI)** - designated income as determined by the Census Bureau or as adjusted by HUD.

**Metropolitan Statistical Area (MSA)** - determined by the Census Bureau. Usually consists of contiguous census tracts and block numbering areas comprising one or more counties including a large population nucleus and nearby communities that have a high degree of interaction and which usually have a combined population of greater than 50,000.

**Middle-income** - determined using the same methodology as for low-income. The percentage used for middle-income designation is  $80\% \leq 120\%$ .

**Moderate-income** - determined using the same methodology as for low-income. The percentage used for moderate-income designation is  $50\% \leq 80\%$ .

**Upper-income** - determined using the same methodology as for low-income. The percentage used for upper-income designation is 120% or greater.

## LISTING OF TRACTS IN ASSESSMENT AREA

	STATE	COUNTY	COUNTY NAME	CENSUS TRACT	INCOME LEVEL
1	OK	015	Caddo	9620.00	UPPER
2	OK	015	Caddo	9622.00	UPPER
3	OK	015	Caddo	9623.00	UPPER
4	OK	031	Comanche	0021.00	UPPER
5	OK	051	Grady	0006.00	UPPER
6	OK	051	Grady	0007.00	UPPER