



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

March 08, 2010

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

**The First National Bank and Trust Company of Broken Arrow  
Charter Number 7115**

**121 South Main Street  
Broken Arrow, OK 74013**

**Office of the Comptroller of the Currency  
Eastern Oklahoma Field Office  
Executive Center II Building  
7134 South Yale Avenue, Suite 910  
Tulsa, OK 74136-6360**

**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.**

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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 CRA performance of The First National Bank and Trust Company of Broken Arrow by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 8, 2010. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Note: Throughout this evaluation, The First National Bank and Trust Company of Broken Arrow will be referred to as "FNB."

## **Institution's CRA Rating: Satisfactory**

The factors that support this rating are:

- FNB's distribution of residential mortgage and business loans represents a reasonable penetration among borrowers of different income levels and businesses of different sizes.
- FNB's loan-to-deposit ratio is reasonable.
- A majority of FNB's loans are within the bank's assessment area (AA).
- The dispersion of residential mortgage and business loans throughout the AA, including the two moderate-income census tracts, is reasonable.

## **Scope of Examination**

Conclusions regarding the bank's lending performance are based on Home Mortgage Disclosure Act (HMDA) lending records as well as a random sample of 60 residential and 20 business loans originated from December 31, 2007 through March 1, 2010.

## DESCRIPTION OF INSTITUTION

FNB is a \$194 million dollar community bank located in Broken Arrow Oklahoma. The bank is entirely owned by First Broken Arrow Corporation, a one-bank holding company. The main bank and drive in facility are located in downtown Broken Arrow at 121 South Main Street. There are also three branches located in Broken Arrow with physical addresses of 3208 South Elm, 2100 North Aspen, and 2401 East Kenosha. FNB does issue automated teller machine (ATM) cards and several ATMs are available throughout the community.

Main bank lobby and branch bank services are provided Monday through Friday, with extended hours, including Saturday service, offered at each drive-thru facility. FNB faces strong competition from several other financial institutions in the AA. Based on its financial condition, local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. There are no legal impediments or other factors to prevent the bank from meeting the credit needs of the AA. FNB received an overall **Satisfactory** rating for the last CRA Public Evaluation (PE) dated April 29, 2005.

FNB also issues a Visa ChecKard that can be used in place of cash or checks at any location where Visa is accepted. The bank's primary focus is to serve commercial and consumer customers in Broken Arrow and the surrounding areas. The bank meets these needs by providing various loan and deposit products, including Internet banking and other financial services. Customers can obtain general information about loan and deposit products from the bank's website at [www.fnba.com](http://www.fnba.com).

The bank's lending strategy focuses on commercial loans and one-to-four family real estate loans to meet the needs of the community. The table below details the composition of the bank's loan portfolio, which represents nearly 60% of total assets as of December 31, 2009. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	46,981	41
Commercial Loans	13,236	12
Residential Real Estate Loans	48,259	42
Farm Production Loans	10	< 1
Farm Real Estate Loans	63	< 1
Consumer Loans	5,071	4
Other Loans	620	1
<b>Total</b>	<b>114,240</b>	<b>100%</b>

*Source: 12/31/2009 Consolidated Report of Condition*

## DESCRIPTION OF ASSESSMENT AREA

FNB’s AA meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income geographies. The AA comprises 33 MSA census tracts located in western Wagoner County and eastern Tulsa County. There are no low-income tracts in the AA and only 2 moderate-income tracts. The following table describes major demographic and economic characteristics of the assessment area.

<b>Demographic Information</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	33	0%	6%	30%	64%
Population by Geography	90,934	0%	5%	30%	65%
Owner-Occupied Housing by Geography	32,894	0%	3%	28%	69%
Businesses by Geography	8,047	0%	6%	28%	66%
Farms by Geography	219	0%	2%	37%	61%
Family Distribution by Income Level	26,265	9%	13%	22%	56%
Household Distribution by Income Level	31,817	11%	11%	18%	60%
Census Median Family Income (MFI)	\$45,678	Median Housing Value 2008			\$101,683
HUD-Adjusted MFI: 2009	\$57,600	Families Below the Poverty Level			5.11%
HUD-Adjusted MFI: 2008	\$54,700	Unemployment Rate			3.02%
HUD-Adjusted MFI: 2007	\$52,500				

Source: 2000 United States Census

We completed a community contact during this evaluation to gain a better understanding of the credit and community development needs within the AA. The comments we received were positive concerning the manner in which local banks provide needed credit, investment, and financial services.

The city of Broken Arrow is a suburban community located southeast of Tulsa, Oklahoma, and is noted for low crime, good schools, quality development, and excellent transportation access to surrounding areas. Additionally, the community still holds large undeveloped tracts of land adjacent to the Broken Arrow Expressway and Broken Arrow South Loop (Creek) turnpike, which offer prime sites for commercial, office, retail, and industrial development. These factors will continue to make Broken Arrow an attractive location for business and residential development.

Growing nearly 35% since 1990, Broken Arrow continues to be one of the fastest growing communities in Oklahoma of those with more than 50,000 persons. Between 1990 and 2000, the City of Broken Arrow added nearly 17,000 new residents, growing from 58,043 to a year 2000 population of 74,859 as reported by the US Census. In 1980, Broken Arrow was the 28th largest city in Oklahoma. In 1990 it moved up to 9th and today Broken Arrow ranks 4th. The estimated 2010 population is 97,000.

Population growth has also been accelerated due to the annexations that have occurred since 2000. Annexing areas containing existing subdivisions has the effect of adding a more substantial amount of population to the city limit's than would normally occur through natural growth and development.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's LTD ratio is **reasonable** compared to their financial condition and banking competition within the AA, although it is slightly lower than banks within the peer group. FNB's quarterly average LTD ratio since the 4/29/05 CRA PE is 74%, compared to a quarterly peer bank average of 83%.

### Lending in Assessment Area

Our sample of residential mortgage loans and business loans originated since 12/31/10 revealed that a **majority** of the number of FNB's loans are made within the bank's AA. The table below reflects the number and dollar percentage of loans, by type, originated within and outside of the AA.

Loans Within Bank's AA										
Loan Type	Number of Loans					Dollars of Loans (000) thousands				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	32	53	28	47	60	2,995	51	2,899	49	5,894
Commercial	12	60	8	40	20	754	33	1,553	67	2,307
Totals	44	55	36	45	80	3,749	46	4,452	54	8,201

Source: Loan Sample

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

Our loan sample of lending patterns within the bank's AA since the previous evaluation reveals a **reasonable penetration** of residential mortgage loans and business loans to borrowers with different incomes and businesses of different sizes, particularly low and moderate-income borrowers and small businesses. The tables below summarize our conclusions regarding the bank's lending activities during the evaluation period for each of the primary loan types we reviewed.

Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	9%	13%	13%	13%	22%	0%	56%	75%

Source: Loan Sample and 2000 United States Census

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	79%	5%	16%	100%
% of Bank Loans in AA by #	67%	33%	0%	100%
% of Bank Loans in AA by \$	56%	44%	0%	100%

Source: Loan Sample and 2000 United States Census

## Geographic Distribution of Loans

Our loan sample of lending patterns within the bank's AA since the previous evaluation reveals a **reasonable dispersion** of residential mortgage loans and business loans throughout the AA. There are no low-income census tracts in the bank's AA, although it is evident from the residential loans originated during the evaluation period that FNB is actively originating loans in the two moderate-income tracts. The tables below summarize our conclusions regarding the bank's lending activities throughout the AA during the evaluation period for each of the primary loan types we reviewed.

<b>Geographic Distribution of Residential Real Estate Loans in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential	0%	0%	3%	12%	28%	50%	68%	38%

Source: Loan Sample and 2000 United States Census

<b>Geographic Distribution of Loans to Businesses in AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0%	0%	6%	0%	28%	50%	66%	50%

Source: Loan Sample and 2000 United States Census

## Responses to Complaints

A review of the bank's public file as well as Customer Assistant Group (CAG) database indicates the bank has not had any CRA related complaints since the last CRA Public Evaluation dated April 29, 2005.

## Fair Lending

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