

PUBLIC DISCLOSURE

January 26, 1998

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

The First National Bank and Trust Company of Okmulgee
Charter Number: 11001
610 East 8th Street
Okmulgee, Oklahoma 74447

Office of the Comptroller of the Currency
Tulsa Duty Station
7134 South Yale Avenue, Suite 910
Tulsa, Oklahoma 74136

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.

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 The First National Bank and Trust Company of Okmulgee, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of February 12, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Note: Throughout this evaluation the First National Bank and Trust Company of Okmulgee will be referred to as "FNB".

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

The bank's loan-to-deposit ratio is reasonable. The LTD ratio averaged 52% since the November 24, 1994 performance evaluation, compared to 60% that was reported by competing banks in Okmulgee County. The bank's loan-to-deposit ratio on December 31, 1997 was 52%.

FNB generates a majority of loans within the defined assessment area.

Management is doing a reasonable job of originating loans throughout the assessment area.

FNB routinely lends to small businesses and low and moderate income families.

The following comments further describe the bank's CRA performance. The following table indicates the performance level of The First National Bank and Trust Company of Okmulgee with respect to each of the five performance criteria.

Small
Institution
Assessment
Criteria

The First National Bank and Trust Company of Okmulgee
Performance Levels

Exceeds
Standards for
Satisfactory
Performance
Meets Standards
for Satisfactory
Performance
Does Not Meet
Standards for
Satisfactory
Performance

Loan-to-deposit ratio

X

Lending in
assessment
area

X

Lending to
borrowers of
different
incomes and

to businesses
of different
sizes

X

Geographic
distribution
of loans

X

Response to
complaints

No complaints relating to FNB's CRA performance have been received since the last CRA public evaluation was completed on November 24, 1994.

DESCRIPTION OF THE INSTITUTION

FNB is a \$106 million small community bank located in Okmulgee, Oklahoma (Okmulgee County), approximately 40 miles south of Tulsa. FNB is wholly owned subsidiary of First Okmulgee Corporation, a one-bank holding company.

The bank serves its assessment area through the main bank, an attached drive-thru facility, two branch locations, and two automated teller machines. The bank offers a variety of loan products. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank's lending strategy focuses on one-to-four family real estate and

commercial lending. As of December 31, 1997, the loan portfolio represents 45% of total assets, distributed as follows:

Table 1

Loan Type
Percent of
Portfolio

1-4 Family Residential Real
Estate
41%

Commercial & Commercial Real
Estate
48%

Consumer
11%

Source: December 31, 1997 bank financial statement and call report

DESCRIPTION OF THE ASSESSMENT AREA

FNB designated its assessment area as Okmulgee County. The area meets the regulatory requirements and does not arbitrarily exclude low or moderate income geographies. This assessment area consists of nine census tracts in a non-metropolitan statistical area (non-MSA). Seven are "middle income" tracts and two are "moderate income" tracts as defined under the Housing and Urban Development (HUD) guidelines. The 1997 HUD updated median income for a non-MSA is \$30,800. The following tables illustrate the income distribution of total families living in Okmulgee County, and the percentage of families within each census tract category of Okmulgee County.

Table 2

Family Income
Level
Count
Percentage

Low Income	2,487	25%
Moderate Income	1,812	18%
Middle Income	1,975	20%
Upper Income	3,735	37%
Totals	10,009	100%

Source: 1990 Census Data, U.S. Bureau of the Census

Table 3

Percentage of Families Within Each Tract Category

Low Income
Families
Moderate
Income

Families
Middle
Income
Families
Upper
Income
Families
Total

Low Income
Tracts
0%
0%
0%
0%
0%

Moderate
Income
Tracts
36%
19%
19%
26%
100%

Middle
Income
Tracts
22%
18%
20%
40%
100%

Upper
Income
Tracts
0%
0%
0%

0%
0%

Source: 1990 Census Data, U.S. Bureau of the Census

The local economy is generally diversified and not heavily influenced by any single industry. Several light manufacturing companies and the Oklahoma State University Technical Center are significant employers in the area, as are the local hospital and school district. The Ball Glass plant closed on November 4, 1994 which eliminated 350 jobs. The county unemployment rate is approximately 4%. Local banking competition is high, as the city of Okmulgee is served by five financial institutions with a combined total asset base in excess of \$300 million.

1990 Census Data from the U.S. Bureau of the Census indicates there are 16,431 total housing units. Occupied units represent 85% of the housing stock while vacant units represent the remaining 15%. The median year built of the housing stock is 1960.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit (LTD) Ratio

The bank has a reasonable LTD ratio given its asset size, financial condition, and the known credit needs of its assessment area. FNB's quarterly LTD ratio since the November 28, 1994 performance evaluation was 52%, compared to 60% that was reported by competing banks in Okmulgee County. The bank's loan-to-deposit ratio on December 31, 1997 was 52%.

Lending in the Assessment Area

A substantial majority of the bank's loans are made within their assessment area. After verifying the accuracy of the bank's internal loan distribution reports, we reviewed a total of 26 real estate, 25 consumer, and 16 commercial loans originated during 1997 to reach our conclusions. The following table provides a summary of our findings.

Table 4

Lending in the Assessment Area (\$'s in 000's)

LOAN TYPE
 # INSIDE
 % INSIDE
 \$ INSIDE
 % INSIDE

Real Estate

352
 95%
 10,652
 81%

Consumer

1,248
 93%
 4,304
 88%

Commercial

199
 87%
 3,904
 67%

Total

1,799
 92%
 18,860
 80%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Recent lending patterns indicate a reasonable distribution of loans among applicants of different income levels and businesses of different sizes. Based on our review, the following table illustrates FNB's loan distribution practices by income group and loan type, and are based on the number of loans originated. Noteworthy is the fact that only 15% of the number of real estate loans in the bank's assessment area were to applicants with low or moderate

income levels. Management attributes this lower than average number to two factors. First, loan demand by low and moderate income residents in the assessment area is typically centered in small consumer lending. Second, as discussed earlier local banking competition is high in this small community.

Table 5

Lending to Borrowers of Different Income Levels

Low Income
Applicants
Moderate
Income
Applicants
Middle
Income
Applicants
Upper
Income
Applicants
Total

Real Estate
17%
8%
33%
42%
100%

Consumer
27%
36%
37%
0%
100%

Source: Same as Table 4.

Our analysis also indicates a very good distribution of lending to small businesses, as 15 of the 16 commercial loans we reviewed (94%) were to businesses with gross annual revenues less than \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and there is no evidence to suggest low and moderate income families are being arbitrarily denied access to credit. The lower volume of commercial lending in the two moderate income tracts within the assessment area is primarily caused by the fact there is generally less demand for that type of credit among moderate income applicants compared to consumer or real estate lending products. The following table illustrates a percentage summary of the bank's lending performance in this area.

Table 6

Geographic Distribution of Loans

Low
Income
Tracts
Moderate
Income
Tracts
Middle
Income
Tracts
Upper
Income
Tracts

Real
Estate
N/A
25%
75%
N/A

Consumer
N/A
27%

73%
N/A

Commercial
N/A
18%
82%
N/A

Source: Same as Table 2

Response to Complaints

FNB has not received any complaints relating to their CRA performance.

Compliance with Fair Lending Laws and Regulations

A fair lending review was completed as part of a compliance examination of FNB. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No violations of the consumer laws and regulations were identified.