

PUBLIC DISCLOSURE

November 30, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank & Trust Company of Broken Arrow
Charter number: 7115**

**121 South Main
Broken Arrow, Oklahoma 74014**

**Office of the Comptroller of the Currency
Tulsa Field Office
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 **First National Bank & Trust Company of Broken Arrow**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 30, 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, First National Bank & Trust Company of Broken Arrow will be referred to as "FNB".

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

- ▶ The bank's loan-to-deposit (LTD) ratio is reasonable. The LTD ratio averaged 63% since the May 6, 1996 performance evaluation, compared to 69% that was reported by nationally competing banks. The bank's LTD ratio on November 30, 1998 was 62%.
- ▶ FNB generates a majority of loans within the defined assessment area.
- ▶ Management is doing a reasonable job of originating loans throughout the assessment area.
- ▶ Management is also doing a reasonable job of lending to small businesses and low and moderate income families.

The following table indicates the performance level of **First National Bank & Trust Company of Broken Arrow** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	First National Bank & Trust Company of Broken Arrow Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		✓	
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		✓	
Geographic Distribution of Loans		✓	
Response to Complaints	No complaints have been received since the prior CRA public evaluation.		

DESCRIPTION OF INSTITUTION

FNB is a \$156 million independent community bank located in Broken Arrow, Oklahoma (predominately Tulsa County, although the extreme eastern section of the city limits is located in Wagoner County). Broken Arrow is a bedroom community to Tulsa, with an estimated city population of 82,000. The population of Tulsa County is estimated to be 650,000. According to the 1990 census data, the population of the Tulsa Metropolitan Statistical Area (MSA) is 710,400. Local banking competition is strong, as Broken Arrow is home to three main offices and over seven branches of commercial banks. Local credit unions also compete for loans and deposits. Primary lending and deposit competitors include Bank of Oklahoma, N.A., Rogers County Bank, State Bank and Trust Company, and Arkansas Valley State Bank.

FNB is a wholly owned subsidiary of First Broken Arrow Corporation, a one-bank holding company. A CRA Public Evaluation dated May 6, 1996 was prepared for this bank and a **Satisfactory** performance rating was assigned.

The bank serves its assessment area through the main bank, a detached drive-thru facility, two full-service branches, and five automated teller machines. The bank offers a variety of loan products. There are no legal, financial, or other barriers impeding the bank's ability to help meet the credit needs of its assessment area. The bank's lending strategy focuses on consumer, commercial, and 1-4 family residential real estate lending. As of September 30, 1998, the loan portfolio represented 53% of total assets. Portfolio distribution is as follows:

Table 1

Loan Type	Percent of Loan Portfolio
Consumer	42%
Commercial	32%
1-4 Family Residential Real Estate	25%
Agriculture	1%

Source: September 30, 1998 Consolidated Report of Condition and Income

COMMUNITY CONTACT

To better understand the general credit needs of citizens who reside in this assessment area, we visited with a representative of the local government. Based on information from this contact, we determined that one of the difficulties many mortgage loan applicants encountered was meeting substantial down payment requirements often imposed by financial institutions.

DESCRIPTION OF FNB’s ASSESSMENT AREA

FNB’s assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income geographies. FNB designated its assessment area as the Broken Arrow city limits. This area consists of twenty-three census tracts in the Tulsa MSA. Two are “moderate-income” tracts, nine are “middle-income” tracts, and twelve are “upper-income” tracts as defined under the Housing and Urban Development (HUD) guidelines. The 1990 U.S. Census indicated that the Median Family Income for the Tulsa MSA, which includes Broken Arrow, was \$32,578. The following tables illustrate the income distribution of **total families** living in Broken Arrow, and the **percentage of families** within each census tract category of Broken Arrow.

Table 2

Family Income Level	Count	Percentage
Low Income	2,640	11%
Moderate Income	3,230	14%
Middle Income	5,306	23%
Upper Income	11,859	52%
Total	23,035	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	28%	32%	19%	21%	100%
Middle-Income Tracts	15%	18%	27%	40%	100%
Upper-Income Tracts	7%	9%	20%	64%	100%

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

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

The bank has a reasonable LTD ratio given its size, financial condition, and the known credit needs of its assessment area. Since the previous CRA Public Evaluation dated May 6, 1996, FNB's quarterly LTD ratio was 63%, compared to 69% that was reported by competing banks in Tulsa and Wagoner Counties. The bank's LTD ratio on November 30, 1998 was 62%.

Lending in the Assessment Area

After verifying the accuracy of the bank's real estate loan distribution reports, we reviewed a total of 175 real estate, 50 consumer, and 25 commercial loans originated during 1997 and year-to-date 1998 to reach our conclusions. The results indicated that 51% of the dollar volume and 58% of the number of the bank's loans were made within the assessment area. The following tables illustrate these lending patterns in greater detail.

Table 4

Lending Practices Within the Assessment Area (#)		
Loan Type	Number of Sampled Loans Within Assessment Area	Percentage of Sampled Loans Within Assessment Area
Consumer	33	66%
Commercial	19	76%
Real Estate	92	53%
Aggregate	144	58%

Source: OCC loan sample

Table 5

Lending Practices Within the Assessment Area (\$)		
Loan Type	Dollar Volume of Sampled Loans Within Assessment Area (\$000's)	Percentage of Sampled Loans Within Assessment Area
Consumer	\$356	64%
Commercial	\$1,556	81%
Real Estate	\$6,830	46%
Aggregate	\$8,742	51%

Source: OCC loan sample

Lending to Borrowers with Different Income Levels and Businesses of Different Sizes

Recent lending patterns indicate a good distribution of loans among applicants with different income levels and businesses of different sizes. Based on our review, the following table illustrates FNB's loan distribution practices by loan type and income group, and are based on the

number of loans originated. Only 23% of the number of sampled real estate loans that were located in the bank’s assessment area were to applicants with low or moderate-income levels. This is primarily due to the fact lending demand by low and moderate- income residents in this community is typically centered in small consumer loan products.

Table 6

Lending to Borrowers of Different Income Levels			
	Low-Income Applicants	Moderate-Income Applicants	Total
Real Estate	9%	14%	23%
Consumer	15%	33%	48%

Source: OCC loan sample

Our analysis also indicates a reasonable volume of lending to small businesses. Twelve of the nineteen or 63% commercial loans reviewed that were also located in the bank’s assessment area were to businesses with gross annual revenues less than \$1 million.

Geographic Distribution of Loans

Recent lending patterns indicate the bank’s loan portfolio is reasonably distributed throughout Broken Arrow, and there is no evidence to suggest low and moderate-income families are being arbitrarily denied access to credit. These lending patterns are generally consistent with the U.S. Census information discussed earlier that indicate a large percentage of families within the assessment area reside in a middle or upper-income census tract.

Based on our loan sample, the lack of real estate lending activity in the two moderate-income census tracts is primarily due to three factors. First, only slightly more than 5% of the assessment area population resides in the two moderate-income census tracts. Second, low interest rates and the high level of competition for real estate loan customers further limits the volume of potential applicants. Third, low and moderate-income families represent over 60% of the moderate-income census tract population. Lending demand by these residents is typically centered in small consumer loan products.

The following table illustrates a percentage summary of the bank’s lending performance in this area.

Table 7

Geographic Distribution of Loans Within the Bank's Assessment Area				
	Low-Income Tracts	Moderate-Income Tracts	Middle-Income Tracts	Upper-Income Tracts
Consumer	N/A	21%	24%	55%
Real Estate	N/A	0%	14%	86%
Commercial	N/A	16%	53%	31%

Source: OCC Loan Sample

Response to Complaints

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

Compliance with Fair Lending Laws and Regulations

During our compliance examination, we also completed a fair lending review to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - *Equal Credit Opportunity Act (ECOA)*. We found no evidence of discriminatory lending acts or practices. The bank is in compliance with the substantive provisions of the ECOA.