



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 02, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Fletcher
Charter Number 12141**

**401 West Cole
Fletcher, OK 73541**

**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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- A substantial majority of the bank's loans are made within the assessment area (AA).
- The bank is adequately meeting the lending needs of its assessment area given current credit administration constraints. The bank's historical loan-to-deposit ratio has been reasonable.
- The bank's distribution of loans among borrowers of different income levels is very good throughout its AA.
- The bank has not received any consumer complaints regarding CRA performance.

DESCRIPTION OF INSTITUTION

The First National Bank of Fletcher (FNB) is headquartered in Fletcher, Oklahoma. The bank is 75 miles southwest of Oklahoma City and 30 miles northeast of Lawton, Oklahoma. First Fletcher Bancshares (FFB) is a one-bank holding company that owns 96 percent of FNB. FNB is associated with an affiliated bank controlled by Jewell and Jane Griffith. The affiliated bank is American Exchange Bank of Lindsay, Oklahoma, a state chartered institution under American Holding Company of Lindsay, Incorporated.

The main bank and drive-thru facility are located at 401 West Cole, Fletcher, Oklahoma. A branch purchased in 1997 is located in Sterling, Oklahoma, 6 miles southwest of the main facility. The branch is located at 602 West Main in Sterling, and has a drive-through facility, however neither location has an automatic teller machine (ATM). Bank operations are centered in the town of Fletcher, Sterling, and surrounding communities, although the assessment area encompasses a broader area of Comanche and Caddo counties.

As of September 30, 2002, FNB's total assets equaled \$18,462,000. The loan portfolio totals \$3,949,000, with 50 percent composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. The remaining 50 percent is composed of real estate loans. The bank's loan portfolio is segmented as follows:

Loan Category	\$ (000)	%
Real Estate Loans	1,958	49.58
Commercial Loans	689	17.45
Individual Loans	647	16.38
Agricultural Loans	655	16.59
Total	3,949	100.00

Management’s focus on improving credit administration systems has negatively impacted loan volumes and is described under the “Loan-to-Deposit Ratio” section below. There are no other known legal or financial factors impeding management’s or the board’s ability to help meet the credit needs of the bank’s assessment area. The last review of the bank’s performance under the Community Reinvestment Act was completed as of September 30, 1998 and a “Satisfactory” rating was assigned.

DESCRIPTION OF FNB FLETCHER, OKLAHOMA ASSESSMENT AREA

The assessment area adopted by FNB board of directors meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income geographies.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	5,355
Number of Households	6,737
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$27,503
1990 HUD-Adjusted MFI	\$38,100
<i>Economic Indicators</i>	
Unemployment Rate	4.03%
1990 Median Housing Value	\$50,498
% of Households Below Poverty Level	16.86%

The assessment area consists of tracts 20.02, 21.00, 22.00 within Comanche county, and BNA# 9623 of adjacent Caddo county. Comanche county contains boundaries such as Lake Ellsworth west of Fletcher, and Fort Sill Military Reserve southwest of Fletcher. Fort Sill Military Reserve is largely serviced by both an on base credit union and national bank. Both bank locations are located in census tract 21.00.

Based on 1990 census data, the United States Census Bureau identifies the assessment area (AA) as middle-income. There are no low-to moderate-income geographies in the bank's designated AA. The total population of the AA is 19,030. Of the 5,355 families, 18.69 percent, 16.62 percent, 23.76 percent, and 40.93 percent report low, moderate, middle, and upper-incomes, respectively. The area contained 7,778 housing units with 5,136, or 67.15 percent owner occupied. Households below the poverty level represent 16.86 percent and households that receive public assistance are 6.22 percent.

The local economic conditions are depressed in the agricultural sector. Many farm operations have gone out of business or have downsized and are supplemented by other outside sources of income. Dairy operations have reduced from 17 to 2, as of the examination. Seventy-six percent of the households derive their income from wages or salaries. The largest employment sectors are services, retail trade, transportation/communication, and construction. The principal employers include Fletcher Public Schools, Temple Inland, Fort Sill Military Base, and Goodyear Tire Manufacturing Company.

A community contact was conducted during this review. The contact was affiliated with Fletcher's City Hall. Due to the small size of the town, there is no official city manager; however, the city clerk serves in both capacities. She verified that there is no significant large commercial loan demand in the area. A major obstacle that hampers new industry is the lack of easy access to H.E. Bailey Turnpike that runs northeast to southwest from Oklahoma City to North Texas. The contact stated that previous farmland is in the process of being developed for residential housing by a local builder. Currently, there are two housing additions that are being developed in the surrounding area. Families new to the area prefer the smaller public school system and rural areas versus the metropolitan area around Lawton, Oklahoma. The contact also indicated that there is more of a demand for the small consumer type loans to purchase household goods and automobiles.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Performance Evaluation (PE) assesses the bank's performance focusing on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses/farms of different sizes, geographic distribution of loans, and responses to complaints. FNB's AA does not include any low-or moderate-income census tracts; therefore, a geographic distribution of loans within those types of census tracts is not meaningful.

In evaluating the bank's lending performance, a random sample of 65 loans were reviewed. Major loan products offered by the bank were sampled and consisted of the following: consumer loans (30), and loans to small businesses/farms (35). The bank has only originated eight home purchase loans over the past three years that were not considered in the performance evaluation. Home purchase lending is expected to increase as the local residential developments are completed.

Consistent with available resources and capabilities, the bank is doing a satisfactory job of meeting the credit needs of the AA. One element of the performance criteria that does not meet the standard for a satisfactory rating is the low loan-to-deposit ratio.

Loan-to-Deposit Ratio

Given our analysis of lending needs in the assessment area, the bank's current loan-to-deposit ratio at 22 percent is low and not reflective of what would normally be expected for a satisfactory component rating. However, the low ratio is somewhat mitigated by the fact that management has devoted much of their lending resources over the evaluation period toward improving credit administration systems, as opposed to generating loan volume.

The average quarterly loan-to-deposit ratio from December, 1998 through September, 2002 was 34.05 percent. This average does not compare well to the average of other banks in Comanche and Caddo counties that are located in the bank's AA. The average for this group of eleven banks ranged from 88.26 percent to 35.39 percent. FNB Fletcher is below the average due to a decrease in loan volume and a relatively stable deposit base. The table below illustrates the average loan-to-deposit ratio for the bank's closest in proximity to FNB Fletcher.

Institution	Avg. Assets (as of 06/30/02)	Average LTD Ratio
Liberty National Bank, Elgin	79,146	83.26%
FNB of Apache	21,159	54.66%
Cyril State Bank	22,093	48.21%
City NB & Trust of Lawton	162,358	62.71%
Fort Sill NB	183,619	35.39%
<i>FNB of Fletcher</i>	<i>19,524</i>	<i>34.05%</i>

The loan-to-deposit ratio has noticeably decreased since the previous performance evaluation. The lowest ratio was 21.82 percent at September 30, 2002. The highest ratio reported was 43.08 percent at September 30, 1999.

Date	LTD Ratio
June 30, 2002	22.93%
March 30, 2002	23.64%
December 31, 2001	23.85%
September 30, 2001	27.71%
June 30, 2001	26.53%
March 30, 2001	28.67%
December 30, 2000	34.47%
September 30, 2000	37.04%
June 30, 2000	36.91%
March 30, 2000	37.59%
December 30, 1999	39.79%
September 30, 1999	43.08%
June 30, 1999	42.64%
March 30, 1999	42.82%
December 30, 1998	42.64%

Factors that affect the low loan-to-deposit ratio is the larger demand for small consumer loans that generally have short-term maturities and do not materially help increase the loan-to-deposit ratio. Management is making efforts to ensure credit needs are met, by extending loans to individuals in the low-to moderate-income category. Management acknowledges the low performance with regard to this one element, and is willing to be more proactive in lending without compromising board established underwriting standards.

Lending in Assessment Area

FNB's lending in their AA is very good. A substantial majority of the consumer and small business/farm loans sampled were originated within the bank's AA, as illustrated in the table below.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	26	87%	94	87%	4	13%	14	13%
Business/Ag	32	91%	595	95%	3	9%	30	5%
Total Reviewed	58	89%	689	94%	7	11%	44	6%

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

FNB’s overall distribution of loans by income levels of borrowers is very good and exceeds the standard for satisfactory performance.

The bank’s distribution of consumer loans by income is very good. The percentage of the number of consumer loans to low-income households is higher and to moderate-income households is significantly higher than the percentage of low-income and moderate-income households in the AA. The distribution of consumer loans by dollar amount compares to the percentage of number of loans. This reflects favorably on the bank’s performance and willingness to originate small dollar loans at the low-and moderate-income levels. The bank’s performance is particularly good, given that 16.86 percent of the households in the AA have incomes below the poverty level.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	22.59		13.36		20.35		43.70	
	% of Number	% of Amount						
	25.93	27.85	48.15	41.23	22.22	26.73	3.70	4.18

The bank’s loan distribution to small businesses/farms in the AA is very good. A sample of 35 commercial and agricultural loans revealed that 100 percent were extended to entities with annual gross revenues of less than \$1 million per year.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	100%	0
% of Bank Loans in AA #	91.43%	0
% of Bank Loans in AA \$	95.03%	0

Geographic Distribution of Loans

No analysis of the geographic distribution of credit within the AA was performed as the AA does not include any low-or moderate-income census tracts or BNA’s.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination of the bank on November 25, 1998.

Fair Lending Review

An analysis of 1998 – 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its 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.