



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 15, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Coweta
Charter Number 6879

106 South Broadway
Coweta, OK 74429

Office of the Comptroller of the Currency

Eastern Oklahoma Field Office
Executive Center 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.

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

The major factors that support this rating include:

- The First National Bank of Coweta's (FNB) distribution of loans represents a reasonable penetration among borrowers of different income levels, as well as businesses of different sizes.
- FNB's loan-to-deposit ratio is reasonable.
- The majority of FNB's loans are made within the bank's assessment area (AA).
- The distribution of residential mortgage and business purpose loans among assessment area geographies of different income levels is reasonable.

SCOPE OF EXAMINATION

The First National Bank of Coweta was evaluated under the Small Bank examination procedures. The lending test evaluates the bank's record of meeting the credit needs of its assessment area. Performance under the lending test was evaluated from December 31, 2007 through November 15, 2010. The loan sample utilized to evaluate the bank's performance included 20 residential real estate credits, 20 commercial loans, and 2009 HMDA data.

DESCRIPTION OF INSTITUTION

FNB is a \$65 million rural community bank located in Coweta, Oklahoma. Coweta is located in Wagoner County, approximately 15 miles southeast of Tulsa, Oklahoma. The bank is owned by First Coweta Corporation, a one-bank holding company. The main bank and separate drive-thru facility is located in downtown Coweta. In addition, a full-service branch is located approximately 5 miles northwest of downtown and includes Automated Teller Machine (ATM) service.

Main bank and branch lobby services are provided Monday through Friday. The drive-in facility also offers service on Saturday. The bank offers various loan and deposit products. The bank's lending strategy focuses on one-to-four family real estate and commercial loans to meet the needs of the community. 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 of its assessment area. The bank received an overall Satisfactory rating for the last CRA Public Evaluation dated June 13, 2005.

The bank's primary focus is to serve consumer and commercial customers in Wagoner County. The table below details the composition of the bank's loan portfolio, which represents approximately 47% of total assets as of September 30, 2010. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	3,191	10.41%
Commercial Loans	8,466	27.61%
Residential Real Estate Loans	12,804	41.76%
Farm Production Loans	34	0.11%
Farm Real Estate Loans	0	0%
Consumer Loans	6,109	19.92%
Other Loans	57	0.19%
Total	30,661	100%

Source: September 30, 2010 Consolidated Report of Condition and Income

DESCRIPTION OF ASSESSMENT AREA(S)

FNB's assessment area (AA) consists of 16 census tracts located in Wagoner County. As noted in the chart below, there are no low-income census tracts and only one moderate-income census tract. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. The following table describes major demographic and economic characteristics of the assessment area.

Demographic Information					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	16	0%	6.25%	37.50%	56.25%
Population by Geography	41,453	0%	4.06%	47.24%	48.70%
Owner-Occupied Housing by Geography	15,521	0%	3.35%	43.92%	52.73%
Businesses by Geography	2,932	0%	3.68%	46.05%	50.27%
Farms by Geography	218	0%	0.46%	65.60%	33.94%
Family Distribution by Income Level	12,197	14.04%	16.96%	23.76%	45.24%
Household Distribution by Income Level	14,737	15.46%	13.39%	21.12%	50.03%
Census Median Family Income (MFI)	\$45,678	Median Housing Value 2009			\$88,453
HUD-Adjusted MFI: 2009	\$57,600	Families Below the Poverty Level			7.36%
HUD-Adjusted MFI: 2008	\$54,700	Unemployment Rate			3.10%
HUD-Adjusted MFI: 2007	\$52,500				

Source: 2009 Geo-demographic Data; 2000 United States Census Data

Community Contact

We conducted a community contact with a local economic development organization to assess whether financial institutions address the credit and service needs of the community. The contact indicated that all financial institutions in the community were active in supporting the credit needs of the community. The contact did not specify FNB or any other institution.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

FNB’s LTD ratio is reasonable relative to their financial condition, banking competition within the AA, and credit needs of the AA. Since the last examination, the bank’s LTD ratio has averaged 51.94% over a 20-quarter period. For the same time period, the LTD ratio for other banks within the AA averaged 76.23%. A contributing factor to the difference in ratios is that some peer banks have multiple assessment areas, which provide these banks with a much greater geographic area to originate loans.

Lending in Assessment Area

A majority of FNB’s loans are made within the assessment area and thus shows an adequate market share penetration within the bank’s defined AA. Our analysis determined that 78.33% of the number and 81.96% of the dollar amount of loans were made within the assessment area. The following chart detail findings from our loan sample and the 2009 HMDA data.

Loans Within Bank’s AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family	17	85.00%	3	15.00%	20	\$948	81.44%	\$216	18.56%	\$1,164
Loans to Individuals	15	75.00%	5	25.00%	20	\$135	83.33%	\$27	16.67%	\$162
Small Business	15	75.00%	5	25.00%	20	\$748	82.29%	\$161	17.71%	\$909
Totals	47	78.33%	13	21.67%	60	\$1,831	81.96%	\$403	18.04%	\$2,234

Source: 2010 Loan Sample

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

Recent lending patterns indicate a reasonable distribution of loans among borrowers of different income levels and businesses of different sizes. We based our review on a sample of 20 residential real estate and 20 commercial loans. Our conclusions were based on loans originated since the last CRA examination. As the charts below indicate, the bank has a reasonable distribution of loans to low- and moderate-income levels.

Consumer Loans

Based on the residential real estate loan sample, the bank has a reasonable penetration of loans to low- and moderate-income families. The percent of low-income borrowers in the bank’s AA is 14.04%, while the percent of loans to low-income families was 21.03%. The percent of families in the moderate-income level in the AA is 16.96%, while the percent of loans extended to this category of borrowers was 30.84%.

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
Home Purchase	14.04%	24.74%	16.96%	35.05%	23.76%	21.65%	45.24%	18.56%
Home Improvement	14.04%	19.40%	16.96%	25.37%	23.76%	19.40%	45.24%	35.82%
Refinancing	14.04%	16.00%	16.96%	30.00%	23.76%	32.00%	45.24%	22.00%
Total	14.04%	21.03%	16.96%	30.84%	23.76%	23.36%	45.24%	24.77%

Source: Data reported under 2009 HMDA; United States Census Data

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The sample indicated 86.67% of the number of loans was to small businesses with gross income of \$1 million or less. We found that 85.96% of the dollar of loans to businesses was made to small businesses. This is considered reasonable when compared to demographic data that show 84.67% of the AA’s businesses are small businesses. The following table shows the distribution of commercial loans among different sized businesses in the AA.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	84.67%	1.59%	13.74%	100%
% of Bank Loans in AA by #	86.67%	13.33%	0%	100%
% of Bank Loans in AA by \$	85.96%	14.04%	0%	100%

Source: Loan Sample; 2009 Geo-demographic Data; 2000 United States Census Data

Geographic Distribution of Loans

FNB’s overall geographic distribution of loans is reasonable. The following tables represent the geographic distribution of lending based on the sample of residential real estate and business loans located in the assessment area.

Geographic Distribution of Residential Real Estate Loans in AA								
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
Home Purchase	0%	0%	3.35%	0%	43.92%	88.66%	52.73%	11.34%
Home Improvement	0%	0%	3.35%	0%	43.92%	85.07%	52.73%	14.93%
Refinancing	0%	0%	3.35%	0%	43.92%	92.00%	52.73%	8.00%
Total	0%	0%	3.35%	0%	43.92%	88.32%	52.73%	11.68%

Source: Loan Sample; 2009 Geo-demographic Data; 2000 United States Census Data

Geographic Distribution of Loans to Businesses in AA								
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%	3.68%	9%	46.05%	60%	50.27%	40%

Source: Loan Sample; 2009 Geo-demographic Data; 2000 United States Census Data

Responses to Complaints

The bank has not received any complaints during the evaluation period in regards to its CRA performance.

Fair Lending or Other Illegal Credit Practices Review

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