



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 24, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Altus
Charter Number 12155**

**110 E. Broadway
Altus, OK 73521**

**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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory.
- A substantial majority of the bank's loans are made within the assessment area.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.
- The bank meets the standard for satisfactory performance for the distribution of loans in the various income tract levels.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

First National Bank in Altus, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

DESCRIPTION OF INSTITUTION

First National Bank in Altus (FNB) is headquartered in Altus, Oklahoma. It is wholly owned by First Altus Bancorp, Incorporated, a one-bank holding company. The main bank and drive-in are located at 110 E. Broadway, Altus, Oklahoma. Full service branches with drive-in facilities are located at 1606 N. Main Street in Altus, 229 S. Broadway in Hobart, Highway 183 and Oak Street in Mountain Park, and 113 N. Main Street in Frederick. An additional full service branch is located at 100 S. Broadway Street in Tipton. Automated Teller Machine (ATM) services are available at the main bank, the Altus branch, the Hobart branch, the Frederick branch, the United Supermarket Store at 1520 N. Main in Altus, the United Supermarket Store at 600 E. Broadway in Altus, the Hop & Sack Convenience Store at 200 Baseline Road in Tipton, and at the Alco Discount Store at 1600 N. Main in Frederick. A new ATM was installed September 23, 2003 at the United Supermarket Store at 300 N. Main Street in Frederick. The bank's primary focus is to serve commercial, agricultural, and consumer customers in its assessment area. FNB meets these needs by providing various types of loan and deposit products, a retail nondeposit investment center, as well as other financial services.

As of September 30, 2003, FNB's total assets equaled \$216.8 million, of which \$57.8 million, or 27 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Agricultural Loans	30,571	53%
Commercial Loans	11,203	19%
Commercial Real Estate Loans	6,068	10%
Residential Real Estate Loans	7,282	13%
Consumer Loans	2,631	5%
Total	57,755	100%

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received an overall rating of Satisfactory at the last CRA examination dated June 1, 1999.

DESCRIPTION OF FNB IN ALTUS, OKLAHOMA ASSESSMENT AREA

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	13,501
Number of Households	18,440
<i>Geographies</i>	
Number of Census Tracts	16
% Low-Income Census Tracts	0
% Moderate-Income Census Tracts	19%
% Middle-Income Census Tracts	69%
% Upper-Income Census Tracts	13%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	35,250
2003 HUD-Adjusted MFI	39,400
<i>Economic Indicators</i>	
Unemployment Rate	2%
2000 Median Housing Value	49,040
% of Households Below Poverty Level	17%

FNB has defined their assessment area as Jackson, Kiowa, and Tillman Counties in southwest Oklahoma. There are sixteen contiguous census tracts in the assessment area. Census tracts #9686, #9687, and #9704 are moderate-income tracts, #9681, #9682, #9683, #9688, #9636, #9637, #9642, #9701, #9702, #9703 and #9705 are middle-income tracts, and #9684, and #9685 are upper-income tracts. There are no low-income tracts in the assessment area. The main bank is located in tract #9687 (Altus), and the branches are located in #9684 (Altus), #9637 (Hobart), #9642 (Mountain Park), #9704 (Frederick), and #9702 (Tipton).

Based on the 2000 census data, the total population of the assessment area is 47,953. Of the 22,023 total housing units, 12,326 or 55 percent are owner occupied. Households below the poverty level total 3,303 or 17 percent and households that receive public assistance total 1,143 or 6 percent of the total number of households.

The local economic conditions are fair. That area of the state has experienced drought conditions over the past few years that have affected the farmers. The conditions have resulted in a decline in cattle and crop loans. The major employers in the assessment area consist of Bar-S Foods, Altus Air Force Base, Jackson County Hospital, Altus School District, Wal-Mart, and Altus Athletic.

Local banking competition includes several stand-alone community banks in the assessment

area, branches of other banks, credit unions and finance companies.

A community contact was conducted during this review to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. The bank and all of the financial institutions are considered to be involved in the various community development activities and programs in the area.

The bank has corroborated with other corporate leaders in the community to provide financial support to a new manufacturing company that has the potential to provide significant job growth. The manufacturing company has experienced many delays over a period of nearly a decade, and has not yet begun to manufacture its product. The bank continues to support the company, adhering to its goal to stimulate local economic growth.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Performance Evaluation (PE) assesses the bank's performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the assessment area, lending to borrowers of different incomes and to businesses/farms of different sizes, geographic distribution of loans, and responses to complaints.

In evaluating the bank's lending performance, a random sample of 40 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following: residential real estate loans (20), and business/agricultural loans (20) that originated between December 29, 1999 and November 30, 2003.

Based on the analysis and consistent with available resources and capabilities, the bank is meeting the credit needs of its assessment area in a satisfactory manner.

Loan-to-Deposit Ratio

The loan-to-deposit ratio meets the standard for satisfactory performance given the financial institution's size, financial condition, assessment area conditions and the fact that the bank sales a large volume of loans. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 1999 through September 30, 2003 of 36.58 percent, excluding sold loans. The ratio as of September 30, 2003 was 41.33 percent. The low ratio for the period was 32.64 percent at June 30, 2000. The high ratio for the period was 41.33 percent at September 30, 2003.

The average loan-to-deposit ratio for the thirty banks operating in the bank's assessment area (Jackson, Tillman, and Kiowa Counties) and the seven contiguous counties in Oklahoma at September 30, 2003 was 62.61 percent. The low ratio in this group was 25.03 percent and the high ratio was 104.26 percent.

FNB's low loan-to-deposit ratio can partially be attributed to the volume of loans sold. Since the last evaluation June 1, 1999 and through October 30, 2003, the bank has originated and sold a

large volume of agricultural program loans for a total of \$53,217,960. For same period, the bank has originated and sold mortgage loans totaling \$15,938,926. Three Small Business Administration loans have been generated and sold totaling \$614,000. The addition of these types of loans would significantly improve the bank's loan-to-deposit ratio.

Additional factors affecting the loan-to-deposit ratio include the lack of loan demand in the very small communities in the assessment area, the strong competition among financial institutions in some of the towns with branches, and the declining income of farmers. FNB also generates a large volume of low dollar loans (under \$5000). At November 30, 2003, there were two hundred fifty-eight loans with an average origination size of \$1,899.

Lending in Assessment Area

FNB's lending in their assessment area exceeds the standards for satisfactory performance. This conclusion is based on the sample of 40 residential real estate and commercial/agricultural loans, as depicted in the following table:

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial & Agricultural	20	100.00	1,722	100.00	0	0	0	0
Residential Real Estate	19	95.00	424	87.19	1	5.00	62	12.81
Total Reviewed	39	97.50	2,146	97.19	1	2.50	62	2.81

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

FNB exceeds the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

The following tables represent a favorable distribution of lending based on the random sample of 19 residential real estate loans and 20 commercial/agricultural loans extended within the assessment area.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	20.90		17.60		20.30		41.10	
SAMPLE LOANS	% of Number	% of Amount						
	21.05	12.99	36.84	31.40	15.79	18.22	26.32	37.39

The number and amount of residential real estate loans extended to low- and moderate-income households compares favorably to the percentages of those families represented in the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	81.40	3.91
% of Bank Loans in AA #	85.00	15.00
% of Bank Loans in AA \$	36.61	63.39

* 14.69 percent of Businesses did not report revenues.

The level of commercial/agricultural loans revealed that a majority of loans were extended to small businesses and farms with annual gross revenues of less than \$1 million per year.

Geographic Distribution of Loans

The distribution of loans meets the standard for satisfactory performance. The dollar volume and number of loans extended in the various income tracts is representative of the percentage of the population that those tracts represent. This conclusion is based on the analysis of residential real estate and commercial/agricultural loans extended within the assessment area, as depicted in the following tables.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		16.20		66.19		17.61	
SAMPLE LOANS	% of Number	% of Amount						
	0	0	15.79	12.27	63.16	66.57	21.05	21.17

BUSINESS/AGRICULTURAL LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		37.06		43.66		19.28	
SAMPLE LOANS	% of Number	% of Amount						
	0	0	10.00	3.78	45.00	29.57	45.00	66.65

Responses to Complaints

There have been no consumer complaints regarding the bank's CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

An analysis of 1999 - 2003 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. The bank has a good history of complying with anti-discrimination laws. Based on 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.