

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

January 30, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Territory National Bank
Charter Number: 6511
3300 West Broadway
Muskogee, Oklahoma 74402**

**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 **Territory National Bank, Muskogee, Oklahoma (TNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 30, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- The bank's lending performance reflects responsiveness to community credit needs. The loan-to-deposit ratio has averaged approximately 66% since the last CRA evaluation.
- The bank generates a majority of loans within the defined assessment area.
- Management has demonstrated a willingness to originate loans to low- and moderate-income individuals and small businesses.
- Management originates loans throughout the defined assessment area.

The following pages further describe the bank's CRA performance.

The following table indicates the performance level of **Territory National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	TERRITORY NATIONAL BANK 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 were received since the last examination.		

DESCRIPTION OF INSTITUTION

Territory National Bank (TNB) is a locally owned and operated community bank with assets of \$6 million. The bank is located in Muskogee, Oklahoma which has a population of approximately 45 thousand. TNB is a small bank in a highly competitive market. At least four other financial institutions operate in the immediate area.

The bank services its market with one office and an attached drive-in facility. Based on its financial condition and size, product offerings, and prior performance, TNB has the ability to meet the various credit needs of the community. No legal impediments or other factors hinder the bank's ability to provide credit.

The bank's lending strategy focuses on consumer lending. The following chart depicts the loan portfolio as of September 30, 1996.

LOAN TYPE	VOLUME (000)
Consumer	2,651
Real Estate 1-4 Family Residential	389
Commercial	363
Other	158
Total Loans	3,561

DESCRIPTION OF ASSESSMENT AREA

TNB designated its assessment area as Muskogee and Wagoner counties plus contiguous census tracts in Cherokee, Okmulgee, and McIntosh counties. There are 37 populated census tracts within the assessment area with a median family income of \$26,886. Their household income level by tract is as follows.

TRACT INCOME LEVEL	COUNT
Low	1
Moderate	11
Middle	18
Upper	7

The ethnic breakdown of the area is as follows.

RACE	COUNT	%
Amer Ind/Esk Alskn	20,374	14
Asian/Pacific Isld	428	0
Black	12,279	9
White	109,181	76
Other	590	0
Total Persons	142,852	100

The local economy is stable and diverse. Fort Howard Paper company employs over 1,000 workers and is an economic anchor for the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

TNB has a good loan-to-deposit ratio given its size, financial condition, and the credit needs of the defined assessment area. Since the last CRA examination in April 1994, TNB's quarterly loan-to-deposit ratio has been very stable and has averaged 66%.

Lending in the Assessment Area

A majority of the bank's loans are within the assessment area. We reviewed a sample of 86 loans made in the fourth quarter of 1996. Our analysis revealed that 94% of these credits were within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable. The following chart compares the percentage breakdown of loans made in the fourth quarter of 1996 by borrower income category to the percentage of families within each income category throughout the assessment area.

INCOME CATEGORY	% 4TH QTR LOAN ORIGINATIONS	% FAMILIES BY INCOME CATEGORY
Low	27	23
Moderate	38	17
Middle	22	20
High	13	40

The bank has a reasonable volume of small business loan originations. As of September 30, 1996, the bank had \$363 thousand in commercial loans. Due to the bank's size, the majority of these loans are likely small business in nature.

Geographic Distribution of Loans

Management tracks the number of loans made in each zip code within the assessment area. They also track the percentage of loans made to low, moderate, middle, and high income applicants within each zip code. Based on this information, the geographic distribution of loans is reasonable. Management does not arbitrarily exclude any low- or moderate-income areas.

Response to Complaints

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

Compliance with Fair Lending Laws and Regulations

An evaluation of the bank's compliance with the fair lending laws and regulations was conducted as part of a concurrent compliance examination. Based on this evaluation, the bank is in compliance with the substantive provisions of these laws and regulations.