



PUBLIC DISCLOSURE

October 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Coweta
Charter No. 6879

100 South Broadway
Coweta, Oklahoma 74429

Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza, 500 North Akard
Dallas, Texas 75201-3394

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 **The First National Bank of Coweta, Coweta, Oklahoma**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **October 19, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

The conclusion is based on the following:

- ▶ The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the assessment area credit needs.
- ▶ A substantial majority of loans are made in the assessment area.
- ▶ The distribution of borrowers reflects a very good penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area.
- ▶ The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Coweta 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 received.		

DESCRIPTION OF INSTITUTION

The First National Bank of Coweta (FNB) is located in Coweta, Oklahoma, approximately fifteen miles southeast of Tulsa, Oklahoma, and just off of State Highway 51. FNB was chartered in 1903 and is owned by First Coweta Corporation, a closely-held, locally-owned one-bank holding company. As of September 30, 1998, FNB reported total assets of \$39 million. FNB has a three lane drive-in facility one block from the bank building. While the bank owns no automated teller machine (ATM's), customers can access their accounts through most ATM networks. FNB offers convenient banking hours and has a variety of loan and deposit products to meet the needs in the assessment area.

The bank's primary business focus is retail (residential mortgages and consumer) and small business. FNB offers a variety of loan products as noted in the table below. The loan portfolio composition as of September 30, 1998 is as follows:

Loan Type	\$ Volume (000's)	% of Portfolio
1-4 Family Residential	\$7,491	43.0%
Commercial	3,613	20.8%
Installment	4,874	28.0%
Commercial Real Estate	1,190	6.8%
Agriculture & Farmland	239	1.4%
TOTAL	\$17,407	100.0%

Source: September 30, 1998 Call Report.

The western portion of Wagoner County has three independent banks and several branches of other financial institutions. One branch and two ATM's owned by competing banks are located in Coweta. The Bank's primary competition in the Coweta area is a branch of a regional bank which is on Highway 51. First State Bank, Porter, Oklahoma is the only other independent bank in the assessment area, and it is approximately 20 miles south of Coweta. There are no financial or other constraints that inhibit FNB from meeting assessment area credit needs.

DESCRIPTION OF THE ASSESSMENT AREA

FNB's assessment area (AA) is defined as the ten census tracts (CTs) that comprise the western portion of Wagoner County bounded on the east by the Verdigris River. The following table shows the income distribution of CTs and families that comprise the bank's AA.

Income Distribution of CTs and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
CT		Families		CT		Families		CT		Families		CT		Families	
0	0%	1,508	16%	2	20%	1,599	17%	5	50%	2,141	23%	3	30%	4,067	44%

Source: 1990 U.S. Census.

Wagoner County

Coweta, Oklahoma is located in eastern Oklahoma in Wagoner County and is approximately 15 miles southeast of Tulsa. Wagoner County is part of the Tulsa Metropolitan Statistical Area (MSA). The median family income (MFI) for the MSA is \$32,578, as calculated by the 1990 U.S. Census. It is used to determine the income level of individual CTs. The 1998 Department of Housing and Urban Development (HUD) estimated MFI for the Tulsa MSA is \$41,400. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually.

The bank's primary trade area is the city of Coweta and the communities along State Highway 51 toward Tulsa. The city of Broken Arrow is just outside of the AA. Major employers in the area include the public school systems, city and county governments, and the manufacturing, energy, and retail sectors.

The economy of AA is active because of growth in the retail and residential markets. The 1997 unemployment rate for the MSA is 3.5%. The unemployment rate for the state is 4.1%, and the national unemployment rate is 5.0%.

Community Contact

Information about community needs was obtained from a community organization that is based in Coweta. Based on information from this contact, the primary credit needs in the community are affordable housing loans for home ownership and rental property and small business loans (less than \$10,000). FNB was singled out as being an active contributor of community development services regarding low- and moderate-income housing programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

A sample of 34 consumer loans and 20 small business/small farm loans made in 1998, and all residential loans since the previous CRA evaluation that were reported in the Home Mortgage Disclosure Act - Loan Application Registers were used to determine the bank's lending performance in the assessment area, lending to borrowers of different incomes and businesses of different sizes, and geographic distribution of loans.

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 55% for the 14 quarters from June 30, 1995 to September 30, 1998, and has ranged from a peak of 59% on September 30, 1996 to a low of 51% on June 30, 1995. FNB is the largest bank among three other similarly situated banks in AA. It has also had the a L/D ratio commensurate with this group of banks. The L/D ratio has been steady since the June 15, 1995 evaluation. The following table shows total assets (as of June 30, 1998) and the average loan-to-deposit ratio from June 30, 1995 to June 30, 1998.

Institution	City	County	Total Assets (Millions)	Avg. L/D Ratio
First National Bank	Coweta	Wagoner	\$38	55%
The American Bank	Wagoner	Wagoner	\$26	56%
Bank of Commerce, N.A.	Catoosa	Rogers	\$21	55%
Bank of Inola	Inola	Rogers	\$31	61%

Lending in Assessment Area

A substantial majority of loans originated in the AA, based on a review of a sample of consumer and commercial used in this evaluation and of all residential loans made since the prior evaluation. Of the sample of consumer loans, all of the loans and loan dollars were made in the AA. In residential loans, 94% of the number of loans (125 of 133) and of total loan dollars (\$3,919,000 of \$4,165,000) were made in the AA. And out of 20 business and agriculture loans 85% (17 of 20, and \$1,452,000 of \$1,704,000) were made in the AA.

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

Residential Real Estate Loans

The distribution of borrowers reflects an excellent reasonable penetration among individuals of different income levels (including low- and moderate-income), given the demographics of the assessment area. The following table shows the distribution by borrower income levels of the number and dollar volume of residential real estate loans originated between May 15, 1995 and October 19, 1998.

<i>Distribution of Loans in Assessment Area by Borrower Income</i>								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	1,508	16%	1,599	17%	2,141	23%	4,067	44%
Number of Loans	21	16%	35	27%	36	28%	36	28%
Dollar Volume (000's)	\$383	10%	\$1,221	32%	\$1,254	33%	\$901	24%

Source: 1990 U.S. Census data and bank data.

Consumer Loans and Small Business/Small Farm Loans

FNB has a excellent record of making loans to consumers, businesses, and farms of different sizes. Out of 27 consumer loans, 17 or 63% were made to low-income persons, six or 22% were to moderate-income persons, and four or 15% were to middle-income persons. None to upper-income person were noted. Loans to small businesses/farms with gross annual revenues less than or equal to \$1 million totaled 18 or 90% of the number of loans and accounted for 85% total loan dollars. All of the businesses/farms had income of less than \$400,000 per year.

Geographic Distribution of Loans

Residential Real Estate Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the AA, based on a review of all loans made since the prior evaluation. The following table shows the geographic distribution of residential real estate loans made in the assessment area by census tract.

<i>Distribution of Residential Loans in Assessment Area by Census Tract</i>								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Tract Characteristics	0	0%	2	20%	5	50%	3	30%
Number of Loans	0	0%	20	17%	84	73%	11	9%
Dollar Volume (000's)	\$0	0%	\$455	12%	\$2,852	76%	\$467	12%

Source: 1990 U.S. Census data and bank data.

Business and Agriculture Loans

A review of business and farm loans reflects a reasonable penetration throughout the AA. The table below shows the distribution of loans sampled.

<i>Distribution of Small Business and Small Farm Loans in Assessment Area by Census Tract</i>								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Tract Characteristics	0	0%	2	20%	5	50%	3	30%
Number of Loans	0	0%	0	0%	13	76%	4	24%
Dollar Volume	\$0	0%	\$0	0%	\$732	50%	\$720	50%

Source: 1990 U.S. Census data and bank data.

Response to Complaints

FNB has not received any complaints regarding its performance in meeting assessment area credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with the bank's CRA performance. The sample criteria was used automobile purchase loans. We reviewed 18 approved loans to male applicants and 11 denied applications of female applicants. No evidence of discrimination or disparate treatment was noted during this review.