

Public Disclosure

October 12, 1999

Community Reinvestment Act Performance Evaluation

**Bank South, National Association
Charter Number 23564
6130 East 81st Street
Tulsa, Oklahoma 74137**

**Office of the Comptroller of the Currency
Tulsa Field Office
7134 S. Yale Avenue, Suite 910
Tulsa, OK 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 CRA performance of **Bank South, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 12, 1999. 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.

This is the bank's first CRA evaluation.

Institution's CRA Rating: This institution is rated **Satisfactory**.

- C The bank's loan-to-deposit ratio (LTD) is good. The quarterly LTD ratio averaged 85% since the bank was chartered July 2, 1998, compared to 75% that was reported by the bank's national peer group. This peer group consists of bank's with total assets less than \$50 million with a charter date of three years or less. The bank's LTD ratio as of September 30, 1999 was 87%
- C Bank South, N.A. generates a majority of its loans within the defined assessment area.
- C Management demonstrates a willingness to originate loans to small businesses.
- < Despite a very low percentage of low and moderate income families within the assessment area, recent lending patterns indicate a reasonable distribution of loans among borrowers of different income levels.
- < Our review disclosed that loans are generally distributed throughout most of the census tracts in the bank's assessment area, with a majority located in near the bank. As such, we did not identify any conspicuous gaps or areas of low penetration in the bank's lending patterns.

The following table indicates the performance level of **Bank South, N.A.** with respect to each of the five performance criteria of the CRA.

Small Institution Assessment Criteria	The First National Bank of Grove 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 relating to Bank South's CRA performance have been received since the bank was chartered July 2, 1998.		

Description of the Bank

Bank South N.A. is a \$19 million bank located in Tulsa, Oklahoma. The bank was officially chartered July 2, 1998, and has one office located in the southeast part of the city. Bank South, N.A. was operating from a temporary facility until their recent move into a new, permanent facility on October 12, 1999. The bank is a subsidiary of South Tulsa Financial Corporation, a one-bank holding company.

The bank serves its assessment area through the main bank, an attached drive-thru facility, and one automated teller machine. The bank offers a variety of loan products, although their primary lending strategy focuses on commercial and small business lending. Bank South chose not to aggressively compete with the numerous bank and non-bank competitors for traditional consumer loans. There are no financial or legal factors that presently impede the bank's ability to help meet the credit needs of its assessment area.

As of September 30, 1999 net loans and leases represented 71% of total assets, distributed as follows:

Table 1

Loan Type	\$ Volume (000)	% of Portfolio
REAL ESTATE		
Commercial Construction & Land Development	2,765	20%
1-4 Family Residential	1,353	10%
Farmland	70	0.5%
Multifamily	38	0.5%
Commercial	2,834	21%
SUBTOTAL REAL ESTATE	7,060	52%
Commercial	5,279	39%
Consumer	1,156	9%
TOTAL LOAN PORTFOLIO	13,495	100%

Source: June 30, 1999 Consolidated Reports of Condition and Income

Description of the Assessment Area

Bank South's assessment area meets the regulatory requirements and does not arbitrarily exclude low or moderate income geographies. The assessment area boundaries include 51st Street on the North, 145th East Avenue on the East, 131st Street on the South, and the Arkansas River on the West. This area includes 27 census tracts in the Tulsa Metropolitan Statistic Area (MSA). Three are "middle-income" tracts and twenty-four are "upper-income" tracts as defined under the Housing and Urban Development (HUD) guidelines. The bank is located in an upper-income census tract. The 1990 census median family income for the Tulsa MSA was \$32,578. The 1999 HUD updated median family income (MFI) for this same area is \$43,700.

The assessment area consists primarily of residential housing and small, retail businesses. Competition for financial services within the bank's assessment area is intense, with over 40 competitor locations within this area.

The following tables illustrate the income distribution of **total families** living in the bank’s assessment area, and the **percentage of families** within each census tract category.

Table 2

Family Income Level	Count	Percentage
Low Income	1,828	7%
Moderate Income	2,265	9%
Middle Income	4,058	15%
Upper Income	18,187	69%
Total	26,338	100%

Source: 1990 Census Data, U.S. Bureau of the Census

Table 3

Percentage of Families Within Each Tract Category					
	Low Income Families	Moderate Income Families	Middle Income Families	Upper Income Families	Total
Low Income Tracts	0%	0%	0%	0%	0%
Moderate Income Tracts	0%	0%	0%	0%	0%
Middle Income Tracts	15%	18%	20%	47%	100%
Upper Income Tracts	5%	7%	15%	73%	0%

Source: 1990 Census Data, U.S. Bureau of the Census

Community Contact

To better understand the credit needs of the individuals and businesses in the assessment area, we visited with a representative of the Existing Business Development division of the Tulsa Chamber of Commerce. The representative stated the primary credit needs based on his research appear to be centered in one-to-four family real estate development loans, permanent one-to-four family real estate loans, and small business loans. Last, the representative confirmed that unemployment in the city of Tulsa, specifically the bank’s assessment area, is low and the economy remains strong.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

The bank's net LTD ratio is strong given the bank's present size and financial condition. The bank's quarterly average LTD ratio since the bank was chartered in July 1998 was 8%, compared to 75% that was reported by the bank's national peer group for the same period. The bank's net LTD ratio on September 30, 1999 was 87%.

Lending in the Assessment Area

Slightly more than a majority of the bank's loans are made within their assessment area. We reached our conclusions by reviewing a sample of 14 one-to-four family real estate, 25 consumer, and 46 commercial loans. The following table provides a summary of these conclusions.

Table 4

Lending Within the Assessment Area		
Loan Type	# Inside	% Inside
1-4 Family Real Estate	6	43%
Consumer	13	52%
Commercial	24	52%
Aggregate	43	51%

Source: OCC Loan Sample

As described in Table 1, eighty percent of the bank's loan portfolio consists of commercial related credit, of which 52% of these loans sampled were in the bank's assessment area. We also found that many of the one-to-four family real estate loans not within the assessment area were located slightly north of this area. According to management these loans were made to customers who also operate small businesses within the assessment area. Although Bank South's business strategy does not focus on permanent retail mortgage financing activities, the bank recently completed a formal arrangement with BankAdvisorMortgage, a nonbank subsidiary, to provide this loan product.

Lending to Borrowers with Different Income Levels and Businesses of Different Sizes

Recent lending patterns indicate a reasonable distribution of loans among borrowers of different income levels and businesses of different sizes. Based on our review, the following table illustrates Bank South's loan distribution practices within the assessment area. This table is arranged by income level, as determined by the HUD, and loan type. Noteworthy is the fact our sample of one-to-four family real estate loans was limited to six, which represented all of the banks one-to-four family real estate loans made within the assessment area. As described earlier in **Description of the Bank**, Bank South's primary lending strategy focuses on commercial and small business lending. While the bank offers a variety of loan products, they chose not to aggressively compete with the numerous bank and non-bank competitors for traditional consumer loans. Management contends that most consumer lending to date takes place as a concession for commercial borrowers.

Table 5

1999 HUD updated Median Family Income (MFI)				\$43,700
Lending to Borrowers of Different Income Levels (% based on the number of loans originated)				
Income Level of the Borrower	1-4 Family Real Estate	Consumer	Total	Percentage of families w/I the assessment area
Low (<50% of MFI)	0	0	0	7%
Moderate (50 to 80% of MFI)	0	8%	5%	9%
Middle (80 to 120% of MFI)	0	8%	5%	15%
Upper (> 120% of MFI)	100%	85%	90%	69%
Total	100%	100%	100%	100%

Source: OCC loan sample

Our analysis also indicates a good distribution of lending within the assessment area to businesses with gross annual revenues of less than \$1 million (small businesses), as 8 of the 13 (62%) commercial loans we reviewed were to these companies. The following table illustrates the bank’s lending patterns to businesses of different sizes that are located in the defined assessment area.

Table 5

Percentage Distribution of Loans Reviewed by size of the Business			
Business Revenue	Commercial Loan Origination Sample		Aggregate percentage of businesses within the assessment area
	Number	Percent	
< = \$500,000	5	39%	62%
\$501,000 - \$1,000,000	3	22%	7%
Over \$1,000,000	5	39%	31%
Total	13	100%	100%

Source: OCC loan sample

Geographic Distribution of Loans

Our review disclosed Bank’s South’s lending activity within the assessment area is consistent with the assessment area description provided earlier. Once again, this area consists of 27 census tracts in the Tulsa Metropolitan Statistic Area (MSA). Three are “middle-income” tracts and twenty-four are “upper-income” tracts as defined under the Housing and Urban Development (HUD) guidelines. Our review disclosed that loans are generally distributed throughout most of the census tracts in the bank’s assessment area, with a majority located in near the bank. As such, we did not identify any conspicuous gaps or areas of low penetration in the bank’s lending patterns.

Responses to Complaints

Bank South has not received any complaints during this evaluation period.

Compliance with Fair Lending Laws and Regulations

During our compliance examination, we also completed a fair lending review to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - *Equal Credit Opportunity Act (ECOA)*. We found no evidence of discriminatory lending acts or practices. The bank is in substantial compliance with the Equal Credit Opportunity Act and Fair Housing Act. Although we did cite violations of the Equal Credit Opportunity Act, they were technical in nature. The bank’s policies and procedures are generally sufficient to prevent discriminatory, or other illegal credit practices.