

PUBLIC DISCLOSURE

August 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank of Sallisaw
Charter Number 15750**

**100 East Choctaw
Sallisaw, Oklahoma 74955**

**Comptroller of the Currency
7134 South Yale, 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 the **National Bank of Sallisaw** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 14, 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**”.

This performance evaluation covers the period from July 31, 1994 to August 14, 1997. The rating is supported by the following facts.

- ▶ The average quarterly loan to deposit ratio is satisfactory.
- ▶ A majority of loans are within the assessment area.
- ▶ Loans are reasonably disbursed among borrowers of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	National Bank of Sallisaw 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	Data is not meaningful		
Response to Complaints	No complaints have been received.		

DESCRIPTION OF INSTITUTION:

The National Bank of Sallisaw (NBS) is a \$74 million community bank located in Sallisaw Oklahoma. NBS is 100% owned by its holding company, Sequayah County Bankshares who in turn is 100% owned by First Bank Corporation, Inc. NBS serves its market with a main office and one branch location. NBS has one proprietary automated teller machine (ATM).

Bank management's focus has been on real estate. A comparative breakdown of the loan portfolio is as follows.

LOAN TYPE	3/31/97 \$ VOLUME (millions)	% OF PORTFOLIO	6/30/94 \$ VOLUME (millions)	% OF PORTFOLIO
1-4 Family	4.7	14.2	4.1	16.6
Commercial/ Other Real Estate	16.2	48.8	6.3	25.5
Commercial	8.1	24.4	10.0	40.5
Consumer	3.5	10.5	3.5	14.2
Other	0.7	2.1	0.8	3.2
TOTAL	\$33.2 million	100%	\$24.7 million	100%

Source: Uniform Bank Performance Report

DESCRIPTION OF ASSESSMENT AREA:

NBS designates its assessment area (AA) as Sequoyah county and its 12 census tracts. The AA meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The median income within the AA is \$26,404. The population approximates 34 thousand. The following chart breaks down the census tracts by income level.

TRACT INCOME LEVEL	COUNT	%
Low	0	0
Moderate	1	8
Middle	6	50
Upper	0	0
Not Applicable	5	42
TOTAL	12	100

Source: 1990 Census

The following chart breaks down the assessment area's population by income level.

FAMILY INCOME LEVEL	% OF TOTAL FAMILIES
Low	29.03
Moderate	18.51
Middle	21.37
Upper	31.09

Source: 1990 Census

The local economy is stable while unemployment approximates 5.4%. One of Sequoyah county's largest industries is tourism. Major employers in this sector include Blue Ribbon Downs Horse Racing Tract and Cherokee Nation Bingo. The bank is in a competitive market with at least five other financial institutions within the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio since the July 31, 1994 performance evaluation is 50.5%. The ratio has trended upward from 40% to 57% during this time period and is considered satisfactory given the bank's size, financial condition, and local economy.

Lending in the Assessment Area

Lending within the assessment area is a high priority for NBS. According to the Home Mortgage Disclosure Act Loan Activity Reports for 1996 and year-to-date 1997, 66 of 68 (97%) home loan originations were made within the assessment area.

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

The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable given the demographics of the assessment area.

The following chart illustrates the number and percentage of home loans made to applicants of different income levels during 1996 and through June 30, 1997.

APPLICANT/FAMILY INCOME LEVEL	NUMBER OF HOME LOAN ORIGINATIONS	% OF TOTAL HOME LOAN ORIGINATIONS	% OF FAMILIES WITHIN ASSESSMENT AREA
Low	7	10	29
Moderate	13	19	19
Middle	18	27	21
Upper	29	43	31
Income Not Available	1	1	0
	68	100%	100%

Source: 1996 and 1997 Home Mortgage Disclosure Act - Loan Activity Report

A review of the commercial loan report indicates the bank originates a reasonable volume of small business credits. An estimated 91% of the bank's 695 commercial borrowers' had lines of less than \$100 thousand. Although not definitive, the loan size is often a reflection of the business size. As indicated by the number of borrower lines less than \$100 thousand, it is likely that most commercial originations were to small businesses.

Geographic Distribution of Loans

Due to the limited number and income variation of the census tracts in the AA, a meaningful geographic loan distribution analysis could not be performed.

Response to Complaints

NBS 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 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.