



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Davis
Charter Number 5298**

**227 E. Main Street
Davis, OK 73030**

**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.

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INSTITUTION'S CRA RATING

This institution is rated Outstanding.

The major factors that support this rating include:

- A substantial majority of the bank's loans are made within the assessment area (AA).
- The bank's loan-to-deposit ratio is more than reasonable and exceeds the standard for satisfactory performance.
- The bank's distribution of loans among borrowers of different income levels is excellent throughout its AA. In addition, FNB offers several mortgage loan products that benefit low- and moderate-income individuals.
- The bank has not received any consumer complaints regarding CRA performance.

The First National Bank of Davis is committed to serving the community. This is demonstrated by outstanding lending performance, a majority of which meets the credit needs of low- and moderate-income individuals and geographies. Additionally, the bank recently formed a Community Development Corporation to advance projects for affordable housing, community development, and other projects targeting low- and moderate-income individuals and geographies.

DESCRIPTION OF INSTITUTION

The First National Bank of Davis (FNB) is headquartered in Davis, Oklahoma. The bank is 100 percent owned by Davis Bancorp, Incorporated. The main bank is located at 227 E. Main in Davis, Oklahoma. Drive-in facilities are located at the main bank and at 1200 E. Main in Davis, Oklahoma. Automated Teller Machines (ATM) are located at the main bank and at the EZ Mart located at 1200 E. Main Street. FNB's primary focus is to serve commercial, agriculture, and consumer customers in Davis and the surrounding areas in Murray, Garvin and Carter Counties. FNB meets these needs by providing various loan and deposit products.

At this time, the bank has no affiliates or operating subsidiaries that are active in CRA related activities. However, in July 2002, FNB formed a Community Development Corporation (CDC) called Arbuckle Financial Services, Inc. and is awaiting approval from the OCC to capitalize the CDC up to \$300 thousand, or 10 percent of the bank's capital. FNB will use the CDC to make investments in community development projects, such as affordable housing, educational assistance, equity financing for small businesses, and area revitalization or stabilization, as well as other projects. The CDC has applied for Community Development Entity (CDE) status in order to participate in the New Markets Tax Credit (NMTC) program. This designation provides investors credit against Federal income taxes for making qualified equity investments in the CDE. FNB has also applied to the Community Development Financial Institutions Fund (CDFI) for the CORE component, a program which would make FNB eligible for grants under various CDFI programs for providing financial and technical assistance to their respective target markets through loans, investments, financial services and other activities. Since all of Davis, Oklahoma and portions of the bank's remaining AA have been designated by CDFI as being "Distressed Communities/Investment Areas", a majority of the bank's normal lending activities would qualify for grants under the CDFI programs upon receiving the CDFI designation.

As of June 30, 2002, FNB's total assets equaled \$37.8 million, of which \$27.7 million, or 73 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. The bank's loan portfolio is segmented as follows:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	8,300	29.96
Commercial Loans	7,500	27.08
Residential Real Estate Loans	5,200	18.77
Consumer Loans	6,700	24.19
Total	27,700	100.00

Excluding loan participations and leases, which for the most part are outside of the bank's primary trade area and are funded by FHLB borrowings, the bank's adjusted loan-to-deposit ratio was 95.12 percent as of June 30, 2002.

There are no legal or financial impediments to FNB's ability to meet the credit needs of their AA. FNB's CRA performance was last evaluated as of June 23, 1998 and a "Satisfactory" rating was assigned.

DESCRIPTION OF FNB OF DAVIS, OKLAHOMA ASSESSMENT AREA

The AA 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	6,142
Number of Households	8,239
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$24,139
1990 HUD-Adjusted MFI	\$34,200
<i>Economic Indicators</i>	
Unemployment Rate	3.31%
2001 Median Housing Value	\$33,797
% of Households Below Poverty Level	21.99%

Source: 1990 U.S. Census, and 2001 HUD updated MFI

FNB has defined their AA as Murray County consisting of three census tracts (#9906, #9907, #9908), with an additional two census tracts (#9914, #9919) in Garvin County, and one census tract (#9921) in Carter County. All six tracts in the AA are middle-income tracts. FNB's main bank, two drive-ins and two ATMs are located in tract #9907 in Murray County.

Local banking competition is aggressive and includes several community banks and branches of community banks.

Based on 1990 census data, the United States Census Bureau identifies all six-census tracts as middle-income. The total population of the AA is 21,754. Additionally, there were 6,142 families and 8,239 households. Of the 6,242 families, 23.17 percent, 18.09 percent, 18.24 percent, and 40.51 percent report low, moderate, middle, and upper-incomes, respectively. The area contained 10,088 housing units with 6,278 or 62 percent owner occupied. Households below the poverty level are high at 21.99 percent and households that receive public assistance are 9.71 percent.

The local economic conditions are stable. While there has been minimal job growth in the past

ten years, the unemployment rate has been trending downward over this same time period. The government, retail, and service sectors account for the majority of the employers in the AA. Principal employers include Hanover Compressor Company, Davis Public Schools, and Dolese Rock. The outlook for the local economy seems to be improving with new city leadership in Davis and with the construction currently underway of a gaming center, hotel, and restaurant by the Chickasaw Tribe. The Chickasaw Tribe also plans to build a \$20 million Cultural Center within the next year near Davis, which should boost tourism.

A community contact was conducted during this review. The contact was affiliated with a newly formed housing authority in Davis, Oklahoma. The contact indicated that affordable housing costing below \$75 thousand and rental units for less than \$400 per month were critical needs in Davis, Oklahoma. The lack of affordable housing has been an impediment to attracting new industry to the area. The contact indicated that local banks, specifically FNB and Landmark Bank, N.A., were instrumental in forming the Davis Housing Alliance to address the affordable housing needs within the community. The contact stated that FNB is very involved in community activities and has taken a leadership role in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses the bank's performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses/farms of different sizes, geographic distribution of loans, and responses to complaints. Because FNB's AA does not include any low- or moderate-income census tracts, a geographic distribution of the bank's loans within their AA was not performed.

In evaluating the bank's lending performance a random sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following: consumer loans (21), home purchase loans (21), and loans to small businesses/farms (18).

Consistent with available resources and capabilities, the bank is meeting the credit needs of the entire AA in an outstanding manner.

Loan-to-Deposit Ratio

The bank's lending activity within their AA is excellent and exceeds the standard for satisfactory performance. As illustrated in the table below, FNB's loan-to-deposit ratio is significantly higher than their local competitors and is reflective of their leadership position within this market.

Institution	Assets (as of 03/31/02)	Average LTD Ratio
American Exchange Lindsay	36,382	29.70%
The State Bank of Wynnewood	39,653	76.49%
Sulpher Community Bank	49,088	65.72%
FNB Lindsay	24,264	53.09%
<i>FNB of Davis</i>	<i>34,094</i>	<i>100.21%</i>

Since 1993, the bank has utilized external borrowings to fund loan and lease purchases and in the past two years held large state and city funds. For comparative purposes, an adjusted loan-to-deposit ratio was calculated netting out purchased loans and leases externally funded from total loans. Also, state and city funds were netted out of total deposits. As illustrated in the table below, the adjusted loan-to-deposit ratio remains high and continues to reflect the bank as the primary lender in the AA.

Date	LTD Ratio	Adj LTD Ratio
June 30, 2002	95.82%	95.12%
March 30, 2002	100.21%	90.55%
December 31, 2001	102.09%	88.51%
September 30, 2001	95.81%	84.65%
June 30, 2001	87.11%	75.33%
March 30, 2001	90.19%	75.01%
December 31, 2000	92.36%	74.46%
September 30, 2000	87.29%	66.92%
June 30, 2000	83.55%	63.74%
March 30, 2000	86.40%	64.44%
December 31, 1999	89.24%	62.44%
September 30, 1999	84.99%	55.71%
Average	91.25%	74.74%

Lending in Assessment Area

FNB's lending in their AA is excellent. A substantial majority of the consumer, home purchase, and small businesses/farms loans sampled were originated within the bank's AA, as illustrated in the table below.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	21	84.00	155	83.26	4	16.00	31	16.74
Home Purchase	21	91.30	912	91.65	2	8.70	83	8.35
Business/Ag	18	90.00	1,620	90.27	2	10.00	174	9.73
Total Reviewed	60	88.24	2,659	90.21	8	11.76	289	9.79

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

FNB's overall distribution of loans by income level of borrowers is excellent and exceeds the standard for satisfactory performance.

The bank's distribution of home purchase loans by income level is excellent. The percentage of the number of home purchase loans to low-income borrowers is higher than the percentage of low-income families in the AA. The percentage of the number of home purchase loans to moderate-income borrowers is significantly higher than the percentage of moderate-income families in the AA. The distribution of home purchase loans by dollar amount does not provide a significant basis for comparison due to the fact that loans to low- and moderate-income individuals are typically smaller in amounts than loans to higher-income individuals. Nevertheless, the distribution of home purchase loans to low- and moderate-income individuals reflects favorably on the bank's performance, particularly the distribution to moderate-income families. The bank's performance is particularly good in light of the fact that 21.99 percent of the households in the AA have incomes below the poverty level.

HOME PURCHASE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	23.17		18.09		18.24		40.50	
	% of Number	% of Amount						
	23.81	17.95	33.33	27.46	28.57	32.73	14.29	21.86

The bank's distribution of consumer loans by income levels is excellent. The percentage of the number of consumer loans to low-income borrowers is higher than the percentage of low-income families in the AA. The percentage of the number of consumer loans to moderate-income borrowers is also higher than the percentage of moderate-income families in the AA. While less weight is given to the distribution of loans by the dollar amount for the reasons explained above,

the bank's distribution by dollar amount of loans to borrowers of low- and moderate-incomes exceeds the percentage of low- and moderate-income families in the AA. This distribution is particularly good in light of the fact that 21.99 percent of the households in the AA have incomes below the poverty level.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	26.11		17.37		15.23		41.29	
	% of Number	% of Amount						
	28.57	30.17	23.81	20.15	19.05	15.96	28.57	33.72

The bank's loan distribution to small businesses/farms in the AA is excellent. The percentage of bank loans to businesses/farms with revenues less than \$1 million is higher than the percentage of businesses/farms with revenues less than \$1 million.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES/FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	87.53	5.70
% of Bank Loans in AA #	100	0
% of Bank Loans in AA \$	100	0

Note: Businesses/farms not reporting revenues was 6.77 percent.

Additionally, FNB offers three mortgage products to better meet the housing needs of low- and moderate-income individuals. The Rural First Time Homebuyer Program (RFHP) is a down payment assistance program designed to help first time homebuyers in rural areas purchase a home. To qualify, the homebuyer must have an income that is 80 percent or lower of the areas median income. The maximum RFHP subsidy per household in 2002 is \$4,000. FNB began offering this product in the last year and has originated six loans totaling \$234 thousand. The bank also offers the USDA Rural Development Guaranteed Single Family Housing Program. Eligible homebuyers must meet certain income restrictions. This program provides 100 percent financing, requires no down payment, and mortgage insurance is prohibited. The product has been offered less than a year. FNB has originated four loans totaling \$201 thousand under this program. Additionally, FNB has internally developed an affordable housing program to assist low- and moderate-income individuals. To be eligible, the homebuyer's income must not exceed 115 percent of the areas median income. The product has no origination fees and requires only a 90 percent loan-to-value. FNB also offers 15 and 30 year fixed rate mortgages through a broker arrangement with another bank and mortgage company.

Geographic Distribution of Loans

A meaningful geographical analysis cannot be performed because the bank's AA does not contain any low- or moderate-income census tracts.

Responses to Complaints

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

Fair Lending Review

An analysis of 1998 – 2001 public comments and consumer complaints was performed according to the OCC's risk based fair lending approach. Based on an 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.