



PUBLIC DISCLOSURE

July 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Stroud National Bank
Charter #12095**

**300 West Main Street
Post Office Box 450
Stroud, Oklahoma 74079-0450**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard Street
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 **Stroud National Bank, Stroud, Oklahoma**, prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 27, 1998. 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. Consistent with resources and capabilities, the bank is meeting the credit needs of the assessment area, including those of low- and moderate-income individuals, in a reasonable manner.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>STROUD NATIONAL BANK</u> <u>Stroud, Oklahoma</u> 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 have been received since the prior examination		

DESCRIPTION OF INSTITUTION

Stroud National Bank (SNB) is headquartered in Stroud, Oklahoma. SNB is a subsidiary of Stroud Bancorp, Inc., a \$40,000,000 one bank holding company. The main bank and drive-in facility are located at 300 West Main in Stroud, Oklahoma. A full service branch with drive-in facilities is located at 215 Second Street in Wellston, Oklahoma. Automated Teller Machine (ATM) services are available in Stroud at Jack Griffith's Gas-up, 115 West Main, and in Wellston at Bev's Convenience Store, at the intersection of U.S. 66 and U.S. 66-A. SNB's primary focus is to serve commercial, agricultural, and consumer customers in the above communities and the surrounding areas in Lincoln County. SNB meets these needs by providing various loan and deposit products as well as other financial services.

As of June 30, 1998, SNB's total assets equaled \$39,853,000, of which \$19,464,000, or 48.84 percent, were composed of various types of loans and leases to individuals and businesses. The \$19,464,000 in loans and leases outstanding consisted of \$9,303,000 in real estate loans, (48.80 percent), \$4,808,000 in commercial loans and leases, (24.70 percent), \$2,891,000 in consumer loans and leases, (14.85 percent), and \$2,462,000 in agricultural loans, (12.65 percent).

There are no known factors which have or may potentially impede SNB's ability to meet the credit needs of the assessment area. The branch in Wellston was acquired in 1991.

DESCRIPTION OF THE ASSESSMENT AREA:

The assessment area adopted by SNB's board of directors meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income geographies. The assessment area is described in more detail below.

Stroud National Bank Assessment Area

The assessment area consists of Lincoln County in central Oklahoma. Lincoln County contains seven Block Number Areas (BNA's). SNB's main bank is located in BNA #9811 and the Wellston branch is located in BNA #9813.

The adopted assessment area is justified by the following internally generated statistics. For loans originated year-to-date through August 10, 1998, eighty-five percent were made within the assessment area. This represented eighty-four percent of the dollars loaned in that time period.

Based on 1990 census data, the United States Census Bureau identifies five of the BNA's as middle income. These are #9811, #9812, #9813, #9815, and #9816. The remaining two BNA's were identified as upper income. These are #9814 and #9817. No low or moderate income BNA's have been identified within the assessment area.

United States Census Bureau information as of 1990 reflected a total population of 29,216 in Lincoln County. The area contained 12,302 housing units with 8,728 or 70 percent owner occupied. Additionally, there were 8,361 families and 10,809 households in the area. Seventy-one percent of the households derive their income from wages or salaries. The largest employment sectors were retail services, manufacturing, health services and educational services. Per the 1990 census, the households and families are divided among the income categories as follows:

Description	Low Income ($< 50\%$ of Median)	Moderate Income ($50-80\%$ of Median)	Middle Income ($80-120\%$ of Median)	Upper Income ($> 120\%$ of Median)
% of Households	23.90%	14.35%	15.47%	46.28%
% of Families	20.40%	15.62%	19.02%	44.96%

* 1990 census median family income for the assessment area was \$26,688. Median household income for the assessment area was \$21,834. Census median income for non-MSA locations in the State of Oklahoma was \$24,139. The most recent updated Weighted Average of MSA/Non-MSA's Median Family Income is \$31,100.

The assessment area is served by four other chartered banks with headquarters in Lincoln County. The area is also served by the branches of these banks, two Oklahoma City banks, two savings banks, and a credit union.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The loan to deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment area. The average quarterly loan to deposit ratio from June 30, 1995 through June 30, 1998, was 52.49 percent. The ratio as of June 30, 1998, was 57.17 percent. The low ratio for the period was 46.70 percent at June 30, 1995. The high ratio for the period was 57.17 percent at June 30, 1998.

SNB's ratio compares reasonably well to the average loan to deposit ratio for twenty-eight banks operating in Lincoln County, the contiguous counties to the north, south, and east, as well as selected banks in eastern Oklahoma County and Edmond, Oklahoma. The average ratio for this group of banks was 62.81 percent at June 30, 1998. This was up from 54.87 percent at June 30, 1995. The low ratio in this group was 21.94 percent and the high ratio was 99.48 percent at June 30, 1998.

SNB's ratio also compares reasonably well to the average loan to deposit ratio for the four other banks headquartered in the assessment area. The average for this group of banks was 55.65 percent at June 30, 1998. This was up from 51.52 percent at June 30, 1995. The low ratio in this group was 34.42 percent and the high ratio was 77.61 percent at June 30, 1998.

Lending in Assessment Area

A substantial majority of credit extended is within the assessment area. Analysis of a sample of consumer loans, residential loans, business loans, and agricultural loans extended year-to-date in 1998 noted the following results:

Loan Sample	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
Consumer/Residential (50 loans for \$912,277)	84.00%	16.00%	94.75%	5.25%
Business/Agricultural (20 loans for \$300,457)	90.00%	10.00%	97.90%	2.10%
Combined Totals (70 loans for \$1,212,934)	85.71%	14.29%	95.54%	4.46%

The sample data corroborates the internal information used to justify the assessment area.

Lending to Borrowers of Different Incomes

The distribution of borrowers reflects reasonable penetration among individuals as well as businesses and farms of different income levels within the assessment area. The following table uses income data collected from the sample of consumer and residential loans selected for review. (Note, all forty-two of the loans reviewed contained information about income levels). The number of loans to each income group compares reasonably well to the distribution of households and families by income level illustrated on page five (5) of this evaluation.

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (42)	14.29%	21.43%	23.80%	40.48%
Dollars of Loans (\$864,420)	2.60%	5.45%	22.84%	69.11%

The following table uses revenue data collected from the sample of business and agricultural loans selected for review. The number and dollar volume of loans to the three groups compares well to the distribution of companies and farms by revenue obtained from 1990 census data.

Description	% with less than \$500,000 in revenues	% with \$500,000 to \$1,000,000 in revenues	% with greater than \$1,000,000 in revenues
Number of Loans (18)	88.89%	11.11%	0.00%
Dollars of Loans (\$294,162)	93.44%	6.56%	0.00%
Number of Companies/Farms (595)	84.03%	6.55%	9.42%

Note, SNB’s commitment to small business lending is also demonstrated by participation in the Oklahoma Business Linked Deposit Program and the Oklahoma Capital Access Program. At the time of the examination, there were five loans in the Linked Deposit Program totaling \$226,000 and nine loans in the Capital Access Program totaling \$278,000.

Geographic Distribution of Loans

The geographic distribution of sampled loans reflects a reasonable dispersion throughout the assessment area. The addresses of the sampled consumer, residential, business, and agricultural loans within the assessment area were converted to BNA’s using a map for Lincoln County. This information was then compared to the distribution of population, families, and households from the 1990 census data. The results are reflected on the following table:

Distribution of Loans Sampled Compared to Population, Families, and Households					
BNA #	% of loans reviewed (60)	% of dollars reviewed (\$1,158,586)	% of population (29,216)	% of families (8,361)	% of households (10,809)
9811	51.67%	53.19%	15.68%	16.15%	16.59%
9812	5.00%	1.21%	11.65%	11.45%	11.47%
9813	36.66%	30.08%	11.76%	11.76%	11.04%
9814	1.67%	1.64%	21.15%	21.26%	20.20%
9815	0.00%	0.00%	0.00%	0.00%	0.00%
9816	3.33%	13.44%	9.70%	9.64%	9.00%
9817	1.67%	0.44%	14.64%	14.14%	15.40%
Totals	100.00%	100.00%	100.00%	100.00%	100.00%

Note, SNB’s geographic penetration is heaviest in the two middle income BNA’s where SNB’s physical locations are located. Each BNA in the assessment area is serviced by either a stand alone financial institution or the branch of a financial institution. Therefore, it is reasonable that SNB’s penetration is higher in the two BNA’s with physical locations and lower in the surrounding BNA’s.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination of Stroud National Bank, Stroud, Oklahoma, in March of 1995.

Fair Lending Matters

No violations of the substantive provisions of antidiscrimination laws and regulations were identified. Additionally, no evidence of discrimination or disparate treatment was found. The lending practices of Stroud National Bank are reflective of antidiscrimination policies.

Other Information

SNB's commitment to lending and the communities is also demonstrated by the following information.

The commitment to lending to persons of all income levels in the assessment area is further demonstrated by the small average loan size year-to-date and the number of loans made for less than \$1,000 dollars in the last year. Through August 10, 1998, SNB has originated 606 loans in the assessment areas totaling \$7,505,000. This equates to an average loan size of \$12,384. Additionally, from June 1997 through June 1998, SNB has originated 171 loans for amounts less than \$1,000. Both of these statistics reflect a commitment to lending that is not adequately captured by the loan to deposit analysis.

SNB's commitment to the communities is demonstrated by the volume of investments, loans, and lease/purchase agreements with community organizations. During the 1990's, SNB has invested some \$1,255,000 in the municipal securities of Lincoln County or the Stroud Utilities Authority. SNB has also lent some \$550,000 to the Stroud Utilities Authority and the Wellston Public Works Authority to construct a road, a Post Office, and a Senior Citizens Center. Finally, SNB has entered into some \$223,000 worth of lease purchase/agreements and/or loans with the Stroud and Wellston public schools, the Stroud Utilities Authority, and the Wellston Public Works Authority. This information is presented because it is not easily captured and reflected in the five standard performance categories for small bank Community Reinvestment Act examinations.