



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 10, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Peoples National Bank Of Checotah
Charter Number 10051**

**300 West Gentry
Checotah, Oklahoma 74426**

**Comptroller of the Currency
7134 South Yale, Suite 910
Tulsa, OK 74136**

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.

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 **Peoples National Bank** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of July 29, 2003. 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.

Note: Throughout this evaluation, Peoples National Bank will be referred to as "PNB."

Institution's CRA Rating: This institution is rated Outstanding.

- PNB's lending performance is outstanding given its size, financial condition, and known credit needs in its assessment area.
- PNB's loan to deposit (LTD) ratio is good and has averaged 52.33% since our last examination.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals (LMI) and small businesses.
- PNB generates a substantial majority of its loans within the defined assessment area.
- PNB provides additional services and community development projects that assist low-to-moderate income individuals.

The following pages further describe the bank's CRA performance.

DESCRIPTION OF INSTITUTION

PNB is a \$100 million rural community bank located in Checotah, Oklahoma. The main bank and drive in facility are located in downtown Checotah. There are no branches. FNB does issue automated teller machine (ATM) cards and 10 ATM's are available throughout the community. The bank's primary focus is to serve commercial and consumer customers in Checotah and the surrounding areas. The bank meets these needs by providing various loan and deposit products as well as other financial services. The bank's lending strategy focuses on one-to-four family real estate loans, consumer loans, and small business loans to meet the needs of the community. The table below shows the composition of the bank's loan portfolio, which represents approximately 44% of total assets as of March 31, 2003. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	4329	9.47
Commercial Loans	5921	12.95
Residential Real Estate Loans	11,224	24.55
Farm Production Loans	2,657	5.81
Farm Real Estate Loans	5041	11.03
Consumer Loans	15,516	33.94
Other Loans	1,022	2.24
Total	10,404	100%

Bank lobby services are provided Monday through Friday and half day on Saturday. PNB faces strong competition from several other financial institutions in the assessment area. Based on its financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in its community. At our last CRA examination as of March 1,1997 the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

PNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The following table describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	33,309
Number of Households	45,668
<i>Geographies</i>	
Number of Census Tracts/BNA	32
% Low-Income Census Tracts/BNA	3.13%
% Moderate-Income Census Tracts/BNA	28.13%
% Middle-Income Census Tracts/BNA	59.38%
% Upper-Income Census Tracts/BNA	9.38
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	20,317
2000 HUD-Adjusted MFI	46,800
<i>Economic Indicators</i>	
2000 Median Housing Value	29,500
# of Households Below Poverty Level	2,765

The assessment area includes all census tracts in McIntosh County and portions of census tracts in Muskogee and Okmulgee counties.

We contacted a local community housing development organization to gain a better understanding of the needs of the citizens residing within the assessment area. A board member stated that FNB is active in the community and responsive to the credit needs in its assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

PNB's LTD ratio is in line with that of peer banks in the assessment area. The bank's LTD ratio since the last examination has averaged 52.33%, which is reasonable, compared to peer banks that averaged a LTD ratio of 64.08% over the same time period.

Lending in Assessment Area

The vast majority of PNB's loans are made within the assessment area. Our analysis determined that 92% of the number and 97% of the dollar amount of auto loans were made within the assessment area.

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

Recent lending patterns indicate a very good distribution of loans among borrowers of different income levels and businesses of different sizes. We based our review on a sample of 20 1-4 family residential real estate loans and 20 auto loans within the assessment areas. As the chart below indicates, the bank predominately lends to low- or- moderate-income individuals.

TOTAL LOANS REVIEWED								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	25.06		17.66		19.95		37.34	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Auto Loans	100	100	0	0	0	0	0	0
Residential Real Estate	40.00	22.72	25.00	20.86	25.00	32.51	10.00	23.90

The majority of commercial loans were to small businesses with gross income of \$1 million or less.

Qualified Investments and CD Services

PNB has invested \$205,00 in a Community Development Corporation. The Corporation was formed to purchase a downtown building and make improvement to the space so that small business could occupy the space.

PNB offers special home improvement loans with no closing costs in most instances to low-and-moderate income individuals.

Responses to Complaints

PNB has not received any complaints relevant to CRA during the evaluation period.

Fair Lending Review

A fair lending review was performed as of May 30, 2000 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 compliance with the substantive provisions of the ECOA.