



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 28, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank And Trust Company
Charter Number 18430**

**130 East MacArthur Street
Shawnee, OK 74801**

**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 Satisfactory.

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable, when compared to banks of similar size and characteristics in the trade area.
- A substantial majority of the bank's loan activity is within the bank's assessment area.
- The distribution of loans demonstrates satisfactory penetration among individuals of different income levels and businesses of different sizes.
- The bank meets the standard for satisfactory performance for the distribution of loans in the various income tract levels.
- There have been no CRA complaints filed against the bank.

First National Bank and Trust of Shawnee, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

DESCRIPTION OF INSTITUTION

The First National Bank and Trust Company (FNB&T) is headquartered in Shawnee, Oklahoma. The bank is 99 percent owned by the Citizen Potawatomi Nation, A Native American tribe of Oklahoma.

FNB&T's operations are centered in Shawnee and Holdenville, although the assessment area (AA) encompasses a broader area that includes all of Hughes County and portions of Pottawatomie, Oklahoma, Seminole and Lincoln Counties in central Oklahoma. The main bank is located at 130 E. MacArthur Street in Shawnee, Oklahoma. A full-service branch in Holdenville was opened in 2000, at 100 N. Hinckley, Suite A, Holdenville, Oklahoma. A second full service branch was opened in May 2001, located at 1570 S. Gordon Cooper Drive in Shawnee, Oklahoma. The Firelake Branch accepts deposits. Loan applications are also accepted, but are forwarded to the main bank for lending decisions. Drive-in facilities are available at the main bank. Automated Teller Machines (ATMs) are located at the main bank, branch locations, as well as in The Firelake Bingo Hall and Firelake Bowling Center.

FNB&T's primary focus is to serve commercial, real estate, and consumer customers in Shawnee and surrounding areas. FNB&T meets these needs by providing various loan and deposit products.

As of December 31, 2002, FNB&T's total assets equaled \$79 million, of which \$34 million, or 43 percent, were composed of various types of loans to individuals and commercial businesses. The bank's loan portfolio is segmented as follows:

| Loan Category | \$ (000) | % |
|-------------------------------|-----------------|---------------|
| Commercial Loans | 11,263 | 32.99 |
| Residential Real Estate Loans | 9,932 | 29.09 |
| Commercial Real Estate Loans | 8,335 | 24.42 |
| Consumer Loans | 4,608 | 13.50 |
| Total | 34,138 | 100.00 |

There are no legal or financial impediments to FNB&T's ability to meet the credit needs of their AA. The bank's CRA performance was last evaluated as of October 20, 1997, with a "Satisfactory" rating assigned.

DESCRIPTION OF THE FIRST NATIONAL BANK AND TRUST ASSESSMENT AREA

The AA adopted by FNB&T 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 | 35,520 |
| Number of Households | 46,875 |
| <i>Geographies</i> | |
| Number of Census Tracts/BNA | 36 |
| % Low-Income Census Tracts/BNA | 2.78% |
| % Moderate-Income Census Tracts/BNA | 33.33% |
| % Middle-Income Census Tracts/BNA | 52.78% |
| % Upper-Income Census Tracts/BNA | 11.11% |
| <i>Median Family Income (MFI)</i> | |
| 1990 MFI for AA | \$28,732 |
| 2002 HUD-Adjusted MFI | \$40,756 |
| <i>Economic Indicators</i> | |
| Unemployment Rate | 3.71% |
| 1990 Median Housing Value | \$41,055 |
| % of Households Below Poverty Level | 18.58% |

Source: 1990 U.S. Census, and 2002 HUD updated MFI

FNB&T has defined their AA as Hughes County, the northern portion of Seminole and Pottawatomie Counties, the southern portion of Lincoln County, and the southeast portion of Oklahoma County, consisting of 36 contiguous census tracts. Of these, 1 tract (3 percent) is considered low income, 12 tracts (33 percent) are considered moderate income, 19 tracts (53 percent) are considered middle income and 4 tracts (11 percent) are considered upper income tracts. Total population of the tracts is 126,195. Of the 46,875 total housing units, 35,809, or 76 percent, are owner occupied. Households below the poverty level total 8,708, or 19 percent, and households that receive public assistance total 4,360, or 9 percent, of the total number of households.

The economy of the assessment area has remained stable. The city of Shawnee is considered a residential community, consisting primarily of single-family dwellings. The assessment area consists of blue-collar communities whose residents are employed in Shawnee, Holdenville, Oklahoma City, Midwest City and neighboring cities. Major employers in the Shawnee area include TDK Ferrites,

Wolverine Tube, Mobile Chemical Co., Central Plastics Co., and Eaton Corporation. Shawnee is also within 30 miles of Tinker Air Force Base and the General Motors plant, both major employers in the Oklahoma City area.

Local banking competition is aggressive and includes several community, regional, and national banks and/or branches of these financial institutions.

A community contact was conducted during this review. This interview was conducted with the Shawnee Housing Authority. The contact indicated that FNB&T and other local area financial institutions continue to be very active and take leadership roles in the AA communities and strive to meet the financial needs of the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses FNB&T'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.

In evaluating the bank's lending performance, home purchase, improvement, and refinance loans extended in 2002 as recorded on FNB&T's Home Mortgage Disclosure Application – Loan Application Register (HMDA-LAR) were assessed. This resulted in an analysis of 128 loans.

Based on this analysis and consistent with available resources and capabilities, the bank is meeting the credit needs of its AA in a satisfactory manner.

Loan-to-Deposit Ratio

FNB&T's loan-to-deposit (LTD) ratio is reasonable, given the bank's size, assessment area needs, and location. As of December 31, 2002, the quarterly average LTD, since September 30, 1997, for FNB&T was 54.60 percent. For comparison purposes, FNB&T's quarterly average LTD ratio was compared to those banks with main offices located within the counties of the designated assessment area. The average LTD's for these 40 banks ranged from 33.59 percent to 96.92 percent, with the average being 66.86 percent. As illustrated in the table below, FNB&T's loan-to-deposit ratio is slightly lower than four banks that have a similar product mix and are similarly located within the same proximity to the Oklahoma City Metropolitan area.

| Institution | Assets (As of 12/31/02) | Average LTD Ratio |
|---|----------------------------|----------------------|
| FNB Chickasha | 167,775,000 | 58.88 |
| Chickasha Bank and Trust | 104,521,000 | 83.47 |
| <i>Pauls Valley National Bank, Pauls Valley</i> | 97,065,000 | 64.95 |
| <i>McClain Bank, N.A., Purcell</i> | 139,645,000 | 67.76 |
| First National Bank and Trust, Shawnee | 78,861,000 | 54.60% |

A comparison was completed to reflect FNB&T's LTD ratio without the deposits of one of the bank's larger governmental based customers. The December 31, 2002, loan-to-deposit ratio was adjusted by removing the deposits of this customer from the analysis. After making this adjustment, FNB&T's loan-to-deposit ratio increased to 70 percent. The adjusted LTD compares with similarly situated banks within the assessment area.

Lending in Assessment Area

FNB&T's lending in their AA exceeds the standard for satisfactory performance, as a substantial majority of the loans are extended within the assessment area. This conclusion is based on an analysis of 128 home purchase, improvement, and refinance loans, as reported on the 2002 HMDA-LAR, and 21 Small Business Loans, as depicted in the following table:

| TOTAL LOANS REVIEWED | | | | | | | | |
|----------------------|--------------------|-------|-----------|-------|------------------------|-------|-----------|-------|
| LOAN TYPE | IN ASSESSMENT AREA | | | | OUT OF ASSESSMENT AREA | | | |
| | # | % | \$ (000s) | % | # | % | \$ (000s) | % |
| Home Purchase | 48 | 78.69 | 1,824 | 67.16 | 13 | 21.31 | 892 | 32.84 |
| Home Improvement | 28 | 96.55 | 326 | 91.57 | 1 | 3.45 | 30 | 8.43 |
| Home Refinance | 36 | 94.74 | 1,276 | 94.17 | 2 | 5.26 | 79 | 5.83 |
| Business | 17 | 80.95 | 3,056 | 92.75 | 4 | 19.04 | 239 | 7.25 |
| Total Reviewed | 129 | 86.57 | 6,482 | 83.94 | 20 | 13.42 | 1,240 | 16.06 |

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

FNB&T's overall distribution of loans by income level of borrowers meets the standard for satisfactory performance.

The bank's distribution of home purchase, refinance, and improvement loans by income level is satisfactory. The percentage by number and dollar volume of residential real estate loans to low-income borrowers is reasonable to the percentage of low-income families in the AA. Typically, the dollar

percentage of home purchase loans to low- and moderate-income families are smaller in amount than those to higher income individuals/families. The percentage by number and dollar volume of residential real estate loans to moderate-income borrowers is favorable to the percentage of moderate-income families in the AA.

| BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Families | 24.42 | | 17.85 | | 22.52 | | 35.21 | |
| | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| Home Purchase* | 12.50 | 5.90 | 35.42 | 38.04 | 16.66 | 16.04 | 35.42 | 40.02 |
| Home Improvement | 17.86 | 14.11 | 42.86 | 34.04 | 3.57 | 1.53 | 35.71 | 50.31 |
| Home Refinance | 8.33 | 3.53 | 19.45 | 9.40 | 22.22 | 32.68 | 50.00 | 54.39 |

Based upon a random sample of 21 commercial loans, the bank's loan distribution to small businesses in the AA is reasonable. Eighty-one percent of the loans sampled were extended to small businesses within FNB&T's AA.

| BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES | | |
|--|--------------|--------------|
| Business Revenues | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Businesses | 77.85 | 4.84 |
| % of Bank Loans in AA # | 82.35 | 17.65 |
| % of Bank Loans in AA \$ | 78.44 | 21.56 |

Note: Businesses not reporting revenues was 17.30 percent.

FNB&T is active in SBA lending, which allows the bank to better facilitate lending to small businesses consistent with the bank's primary lending focus. FNB&T is not a significant agricultural lender, due to being located near a metropolitan area, with a limited opportunity to conduct this type of lending. Therefore, the percentage of loans to small farms was not evaluated.

FNB&T has worked with the Citizen Potawatomi Nation and HUD to offer an affordable home ownership loan program to assist in meeting the housing needs of low-income Native American families. This product offering is limited to members of a federally recognized Indian tribe with incomes that are at or below the low income limits as identified by the most recent income limits for Oklahoma County. Applicants must own their land free and clear within the boundaries of the Citizen Potawatomi Nation. The program allows for a below normal down payment amount and provides a favorable interest rate. Thirty-five loans were funded under this program from 1999 thru 2002, with a total of \$1.7 million extended by FNB&T. The Citizen Potawatomi Nation extended an additional \$1.2 million under the program.

FNB&T has also made a \$100 thousand investment in the *Oklahoma Metafund Community Development Corporation*. This is a certified Community Development Financial institution (CDFI)

organized to provide credit and investment opportunities for community, economic, and workforce development; to aid and promote job creation and self-employment opportunities, housing and property development/rehabilitation and maintenance; and to assist underserved populations and investment areas throughout Oklahoma. It targets low to moderate-income individuals, community revitalization, and small business funding throughout the state.

Geographic Distribution of Loans

The distribution of loans meets the standard for satisfactory performance. The dollar volume and number of loans extended in the various income tracts is representative of the percentage of the population that those tracts represent. This conclusion is also based on the analysis of home purchase, improvement, and refinance loans as reported on the 2002 HMDA-LAR, as depicted in the following table:

| GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Owner Occupied | 0.90 | | 29.50 | | 57.80 | | 11.80 | |
| Loan Type | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| Home Purchase | 4.16 | 2.58 | 52.08 | 40.84 | 41.67 | 51.92 | 2.08 | 4.66 |
| Home Improvement | 3.57 | 0.92 | 42.86 | 31.60 | 46.43 | 50.00 | 7.14 | 17.48 |
| Home Refinance | 2.77 | 3.06 | 33.33 | 19.51 | 61.11 | 73.28 | 2.77 | 4.15 |

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 1999-2002 public comments and consumer complaints was performed, according to the OCC's risk based fair lending approach. Based on its 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.