



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 10, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Bank Of The Lakes, National Association  
Charter Number 23235**

**12401 East 86th Street North  
Owasso, OK 74055**

**Comptroller of the Currency  
Eastern Oklahoma Field Office  
7134 South Yale Executive Center Building, 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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## 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 Bank of the Lakes, N.A., Owasso, Oklahoma, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 10, 2003. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 CFR Part 25. The previous CRA Performance Evaluation of this bank dated September 15, 1997 resulted in a Satisfactory rating.*

## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

Bank of the Lakes, N.A. is responsive to the credit needs of its community, including low- and moderate-income areas. The following factors support this conclusion:

- The bank's loan-to-deposit ratio is good and exceeds that of similarly situated banks operating in the same counties.
- A majority of Bank of the Lakes loans, 92% in number and 90% in dollar volume in the metro area and 77% in number and 70% in dollar volume, are made within the bank's assessment areas.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes

The following pages further describe the bank's performance under the Community Reinvestment Act.

## DESCRIPTION OF INSTITUTION

Bank of the Lakes, N.A. is a \$115 million community bank headquartered in Owasso, Oklahoma. It is a subsidiary of Lake Bancshares Corporation, a one-bank holding company located in Langley, Oklahoma with total assets something less than \$150 million. The bank operates all its offices within the state of Oklahoma. These include the main office, a drive-in facility, and an automated teller machine in Owasso. The bank operates branch offices in Bernice, Collinsville, Ketchum, Langley, and Oologah, Oklahoma. In December 1999, the bank closed an extended deposit taking facility in Disney, Oklahoma, which was a branch of the Langley office. It opened the Ketchum and Oologah offices in January and March of 2000, respectively. The bank’s business strategy primarily focuses on small business and commercial real estate lending, although residential real estate and consumer lending comprise approximately one-fourth of the loan portfolio. The bank’s ratio of net loans and leases to assets was 85.08%, as of December 31, 2002.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial & Industrial (Small Business)	\$34,854	35.21%
Commercial Real Estate	\$31,209	31.53%
Residential Real Estate	\$13,361	13.50%
Loans to Individuals (Consumer)	\$ 9,892	9.99%
Construction & Land Development	\$ 9,619	9.72%
Other	\$ 44	0.05%
<b>Total</b>	<b>\$98,979</b>	<b>100%</b>

*Source: Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for December 31, 2002.*

Based on its size, financial condition, product offerings, and prior performance, Bank of the Lakes, N.A. has the ability to meet the various needs of its communities. No legal impediments or other factors impede the bank’s ability to provide credit.

## DESCRIPTION OF ASSESSMENT AREA

Bank of the Lakes has designated two assessment areas for its six offices in five Oklahoma counties. Each consists of whole geographies. Neither reflects illegal discrimination nor do they arbitrarily exclude low- or moderate-income geographies. Each assessment area meets the requirements of the CRA regulation.

### TULSA METRO ASSESSMENT AREA

The Tulsa Metro assessment area consists of four census tracts<sup>1</sup> in Northern Tulsa County and two contiguous census tracts<sup>2</sup> in Rogers County. This assessment area is part of the Tulsa MSA and contains the bank’s Owasso, Collinsville, and Oologah offices. According to 1990 census data, the population for this area was 32,547 and the median family income was \$36,197. This assessment area had four middle income and two upper income census tracts. The population mix was 90% White, 8% American Indian, 1% Hispanic, less than 1% Black, and less than .50% Asian/Pacific Islander. According to housing data,

1 Note: Census tracts 0054.00, 0058.01, 0058.03, and 0058.04.

2 Note: Census tracts 0504.01 and 0508.00.

there were 12,333 housing units in this area. Seventy-four percent were owner occupied, 18% were rental units, and 8% were vacant. The median housing value was \$62,483. The following table describes the demographic and economic characteristics of this assessment area.

<b>DEMOGRAPHIC &amp; ECONOMIC CHARACTERISTICS OF AA: METRO</b>	
<i>Population</i>	
Number of Families	9,560
Number of Households	11,392
<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	66.67%
% Upper-Income Census Tracts/BNA	33.33%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$36,197
2001 HUD-Adjusted MFI	\$46,900
<i>Economic Indicators</i>	
Unemployment Rate	5.2%
1990 Median Housing Value	\$62,483
% Of Households Below Poverty Level	8.32%

*Source: Based on 1990 U.S. Census Data*

**NON-METRO ASSESSMENT AREA**

The Non-Metro assessment area comprises four contiguous census tracts<sup>3</sup> in Mayes, Delaware, and Craig counties. Within this Non-Metro assessment area reside the bank’s Langley, Bernice, and Ketchum offices. According to 1990 census data, the population for this area was 12,167 and the median family income was \$23,310. This assessment area had four middle-income census tracts. The population mix was 76% White, 22% American Indian, less than 1% each of Hispanic, Black, and Asian/Pacific Islander. According to housing data, there were 9,280 housing units in this area. Forty-five percent were owner occupied, 8% were rental units, and 47% were vacant. The median housing value was \$42,810. The following table describes the demographic and economic characteristics of this assessment area.

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3 Note: Census tract 0407.00 in Mayes County; census tracts 9758.00 and 9759.00 in Delaware County; and census tract 9735.00 in Craig County.

<b>DEMOGRAPHIC &amp; ECONOMIC CHARACTERISTICS OF AA: NON-METRO</b>	
<i>Population</i>	
Number of Families	3,844
Number of Households	4,934
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% 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	\$23,310
2001 HUD-Adjusted MFI	\$34,200
<i>Economic Indicators</i>	
Unemployment Rate	5.87%
1990 Median Housing Value	\$42,810
% Of Households Below Poverty Level	14.39%

*Source: Based on 1990 U.S. Census Data*

The local economy is diversified and includes various manufacturing, commercial, service, recreational, and agricultural enterprises. The Primary industry employers include the service industry, manufacturing, retail trade, farming, and various levels of government offices. Major employers in the area include American Airlines, Bama Foods, Boeing, Cherokee Industrial Park, MCI/WorldCom, The Nordam Group, and Whirlpool. The Tulsa International Airport and the Tulsa Port of Catoosa are in the immediate proximity of the bank's headquarters office.

### **Community Contact**

To better understand the general credit needs of citizens residing within the assessment areas, we interviewed representatives from the Housing Authority of the Cherokee Nation, which recently opened an office in Owasso. These contacts expressed that affordable housing is the predominate need in the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank has a satisfactory loan-to-deposit ratio, given its asset size, financial condition, and the credit needs of its assessment areas. Since the previous Community Reinvestment Act evaluation in September 1997, the bank's quarterly loan-to-deposit ratio averaged 83.47%. This exceeds the 81.94% average reported by local competing financial institutions in Tulsa, Rogers, Mayes, Delaware, and Craig counties of Oklahoma. The bank has been involved in providing credit to develop the community, especially small loans to businesses.

<b>Institution</b>	<b>Total Assets (As of 12/31/02)</b>	<b>Average LTD Ratio</b>
Bank A	\$169,834	66.80
Bank B	\$126,883	88.56
Bank C	\$103,323	65.28
Bank D	\$103,537	100.02
Bank E	\$ 97,089	79.12
Bank F	\$118,880	91.85
<i>Bank of the Lakes, N.A.</i>	<i>\$115,699</i>	<i>83.47</i>

*Source: Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for December 31, 2002.*

### **Lending in Assessment Area**

Bank of the Lakes originates the majority of its loans within its assessment areas. Consumer, small loans to businesses, and residential real estate loans are the primary loan types. Our sample included these primary loan types originated between October 1, 1997 and February 28, 2003. For the Metro Assessment Area, 92% of the number and 90% of the dollar amount of loans were extended to customer living within the assessment area. In the Non-Metro Assessment Area, 77% of the number and 70% of the dollar volume of loans in our sample were extended to customer residing within the assessment area.

<b>METRO: TOTAL LOANS REVIEWED (Evaluation Period)</b>								
	<b>IN ASSESSMENT AREA</b>				<b>OUT OF ASSESSMENT AREA</b>			
<b>LOAN TYPE</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Consumer	19	95.00%	\$166,247	91.78%	1	5.00%	\$14,891	8.22%
Small Business	18	90.00%	\$1,179,470	91.18%	2	10.00%	\$114,040	8.82%
Residential RE	18	90.00%	\$544,419	86.45%	2	10.00%	\$85,330	13.55%
Total Reviewed	55	91.67%	\$1,890,136	89.82%	5	8.33%	\$214,261	10.18%

<b>NON-METRO: TOTAL LOANS REVIEWED (Evaluation Period)</b>								
	<b>IN ASSESSMENT AREA</b>				<b>OUT OF ASSESSMENT AREA</b>			
<b>LOAN TYPE</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Consumer	13	65.00%	\$109,402	46.53%	7	35.00%	\$125,727	53.47%
Small Business	16	80.00%	\$1,798,935	76.67%	4	20.00%	\$547,291	23.33%
Residential RE	17	85.00%	\$347,180	56.88%	3	15.00%	\$331,412	43.12%
Total Reviewed	46	76.67%	\$2,345,516	70.02%	14	23.33%	\$1,004,429	29.98%

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

The distribution of real estate loans within the assessment area reflects a reasonable penetration amongst borrowers of different income levels and businesses of different sizes, given that there are no low- or

moderate-income census tracts in either assessment area. Our sample included residential real estate loans (home purchase, home improvement, and refinancing), small loans to businesses, and consumer loans originated in the bank’s assessment areas between October 1, 1997 and February 28, 2003.

As captioned on the following page, only 5.00% of the residential real estate loans in the Metro Assessment Area were made to low-income applicants while 14.0% of the metro assessment area is comprised of low-income families. However, 15.0% of the loans sampled in the Metro Assessment Area were to moderate-income families while 17.0% of the families in the assessment area are moderate-income. In the Non-Metro Assessment Area, 10% of the residential real estate loans were made to low-income applicants while 19.7% of the assessment area is comprised of low-income families. However, 35% of the loans sampled in the Non-metro Assessment Area were to moderate-income families while 18.7% of the families in the assessment area are middle-income.

<b>METRO: RESIDENTIAL REAL ESTATE (Evaluation Period)</b>								
<b>Borrower Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
% Of AA Families <sup>1</sup>	14.0		17.0		23.9		45.1	
<b>LOANS BY PRODUCT</b>	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount
Residential Real Estate	5.00	9.91	15.00	9.26	15.00	8.48	65.00	72.35

<b>NON-METRO: RESIDENTIAL REAL ESTATE (Evaluation Period)</b>								
<b>Borrower Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
% Of AA Families <sup>1</sup>	19.7		18.7		23.7		37.9	
<b>LOANS BY PRODUCT</b>	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount
Residential Real Estate	10.00	1.99	35.00	10.58	5.00	12.06	50.00	75.37

The distribution of consumer loans in the Metro Assessment Area reflects reasonable penetration among household of different income levels. Our sample included twenty consumer loans originated within the assessment area between October 1, 1997 and February 28, 2003. Four of the twenty loans reviewed or 20% were to low-income households while only 15.5% of households in the assessment area are low-income. Four of the twenty loans were to moderate-income households while just 14.4% of the assessment area is comprised of moderate-income households. The distribution of consumer loans in the Non-metro Assessment Area reflects reasonable penetration among households of different income levels. Our sample included twenty consumer loans originated within the assessment area between October 1, 1997 and February 28, 2003. Four of the twenty loans reviewed or 20% were to low-income households while 19.7% of households in the assessment area are low-income. Two of the twenty loans reviewed (or 10%) were to moderate-income households while 18.03% of the assessment area is comprised of moderate-income households.



METRO: CONSUMER (Evaluation Period)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% Of AA Households <sup>2</sup>	15.5		14.4		19.8		50.3	
LOANS BY PRODUCT	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount
Consumer	20.00	4.52	20.00	8.84	15.00	13.57	45.00	73.07

NON-METRO: CONSUMER (Evaluation Period)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% Of AA Households <sup>2</sup>	19.7		18.7		23.7		37.9	
LOANS BY PRODUCT	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount	% Of Number	% Of Amount
Consumer	20.00	5.84	10.00	14.04	20.00	6.99	50.00	73.13

The distribution of Bank of the Lakes' small loans to businesses in the Metro Assessment Area reflects outstanding penetration among businesses of different sizes. Based on the U.S. Census information and as captured below, small businesses represent 77.88% of this assessment area and 95% of the small Commercial and Industrial loans sampled were to businesses with gross revenues of less than one million dollars. The bank participates in government guaranty lending programs with the Small Business Administration. The distribution of Bank of the Lakes' small loans to businesses in the Non-metro Assessment Area reflects outstanding penetration among businesses of different sizes. Based on the U.S. Census information and as captured below, small businesses represent 73.25% of this assessment area and 90% of the small Commercial and Industrial loans sampled were to businesses with gross revenues of less than one million dollars. The bank participates in government guaranty lending programs with the Small Business Administration.

METRO: BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (Evaluation Period)		
Business Revenues	£ \$1,000,000	>\$1,000,000
% Of AA Businesses <sup>3</sup>	77.88	4.22
% Of Bank Loans in AA #	95%	5%
% Of Bank Loans in AA \$	91.18%	0.93%

NON-METRO: BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (Evaluation Period)		
Business Revenues	£ \$1,000,000	>\$1,000,000
% Of AA Businesses <sup>3</sup>	73.25	3.03
% Of Bank Loans in AA #	90%	10%
% Of Bank Loans in AA \$	80.68%	19.32%

### **Geographic Distribution of Loans**

We did not perform the analysis of the geographic distribution of loans as neither of the bank's assessment areas contains low- or moderate-income census tracts.

### **Qualified Investments and CD Services (Optional)**

Management did not request that we review investment and services.

### **Responses to Complaints**

Management has not received any written complaints since the September 15, 1997 performance evaluation.

### **Fair Lending Review**

We performed an analysis of 2001 - 2002 public comments, consumer complaint, and HMDA information 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. The latest comprehensive fair lending exam was performed in 1997.