



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 29, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank and Trust Company of Broken Arrow
Charter Number 7115**

**121 South Main Street
Broken Arrow, OK 74013**

**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.

***THE FIRST NATIONAL BANK AND TRUST COMPANY OF BROKEN ARROW'S
CRA RATING***

This institution is rated Satisfactory.

The major factors that support this rating include:

- A majority of the loans are made within the assessment area (AA).
- The performance is satisfactory for lending to borrowers of different incomes and to businesses of different sizes.
- The distribution of consumer, residential mortgage, and business purpose loans among AA geographies of different income levels meets the standard for satisfactory performance.
- The loan-to-deposit ratio is satisfactory.
- The bank is adequately meeting the lending needs of the assessment area.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

The First National Bank and Trust Company of Broken Arrow is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

Note: Throughout this evaluation of the First National Bank and Trust Company of Broken Arrow will be referred to as "FNB."

DESCRIPTION OF First National Bank and Trust Company of Broken Arrow

FNB is a \$173 million dollar community bank located in Broken Arrow Oklahoma. The bank is entirely owned by First Broken Arrow Corporation, a one-bank holding company. At December 31, 2004, the holding company had total assets of \$173 million. The main bank and drive in facility are located in downtown Broken Arrow. There are also three branches located in Broken Arrow at 101st and Elm Place, 71st and County Line, and 2100 North Aspen. FNB does issue automated teller machine (ATM) cards and several ATMs are available throughout the community. The bank's primary focus is to serve commercial and consumer customers in Broken Arrow and the surrounding areas. The bank meets these needs by providing various loan and deposit products, as well as, Internet banking and other financial services. The bank's lending strategy focuses on commercial real estate loans, one-to-four family real estate loans, and consumer loans to meet the needs of the community. The table below shows the composition of the bank's loan portfolio, which represents approximately 68.11% of total assets as of December 31, 2004. 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	55,833	47.04%
Residential Real Estate Loans	37,837	31.88%
Commercial Loans	14,219	11.98%
Consumer Loans	10,605	8.93%
Other Loans	186	0.16%
Farm Production Loans	21	0.01%
Total	118,701	100.00%

Bank lobby and Drive-in services are provided Monday through Friday and half-day on Saturday at least at one of the locations. FNB faces strong competition from several other financial institutions in the assessment area. Based on FNB's financial condition, the local economy, product offerings, competition, and prior performance, FNB has the ability to meet the various credit needs in the community. At the last CRA examination as of February 9, 1999, FNB's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in the assessment area.

Description of Assessment Area

FNB’s assessment area meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The assessment area includes census tracts in Broken Arrow and the surrounding area. The following table describes major demographic and economic characteristics of the assessment area.

Demographic and Economic Characteristics of the Assessment Area	
<i>Population</i>	
Number of Families	26,265
Number of Households	31,817
<i>Geographies</i>	
Number of Census Tracts/BNA	33
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	6.06
% Middle-Income Census Tracts/BNA	30.30
% Upper-Income Census Tracts/BNA	63.64
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	60,560
2004 HUD-Adjusted MFI	53,100
<i>Economic Indicators</i>	
2000 Median Housing Value	101,683
# of Households Below Poverty Level	1,626

The local economic conditions remain stagnant with area job losses mounting. The economy had been and remains to a certain extent reliant on local aggregate businesses. The largest employers in Broken Arrow are the Broken Arrow Public Schools, Wal-Mart, Gatesway Foundation, the City of Broken Arrow, and Flight Safety International. FNB’s major competitors include several similar sized community banks located in or near the assessment area.

We contacted a local city government official to gain a better understanding of the needs of the citizens residing within the assessment area. The official stated that FNB as well as the other local banks are all active in the community and responsive to the credit needs in the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses FNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area (AA); lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and, responses to complaints.

To evaluate the FNB's lending performance, a random sample of 40 loans and Home Mortgage Disclosure Data (HMDA) were reviewed. Major loan products offered by the bank were sampled and consisted of 20 consumer loans, and 20 business loans, originated since December 31, 2002. Also, all HMDA information for 2003 and 2004 was also reviewed and analyzed. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

Loan-to-Deposit Ratio (LTD)

The loan-to-deposit ratio is satisfactory. FNB's LTD ratio is in line with that of peer banks in the assessment area. FNB's LTD ratio since the last examination has averaged 68.41 percent, which is reasonable compared to peer banks that averaged a LTD ratio of 71.56 percent over the same time period.

Lending in the Assessment Area

FNB's lending in the AA is satisfactory. The majority of FNB's loans are made within the assessment area. Our analysis determined that 71.36 percent of the number and 77.44 percent of the dollar amount of the total loan portfolio were made within the assessment area.

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

FNB’s overall distribution of loans by income level of borrowers meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of residential real estate, consumer, and business loans located in the assessment area.

FNB’s distribution of residential real estate and consumer loans by income level is satisfactory. The percentage of the number of residential real estate loans to low-income and moderate-income borrowers is approximately the same as the percentage of low-income and moderate-income families in the assessment area. Consumer loan distribution is good compared to area demographics.

Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Loans	9%	8%	13%	12%	22%	22%	56%	58%

Source: HMDA data.

Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	11%	10%	11%	20%	18%	35%	60%	35%

Source: Loan sample and U.S. Census data.

FNB’s loan distribution to small businesses is satisfactory. The percentage of bank loans to businesses with revenues less than \$1 million is higher than the percentage of businesses with revenues less than \$1 million located in the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67%	7%	26%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	77%	23%	0%	100%

Source: Loan sample and U.S. Census data.

Geographic Distribution of Loans

FNB’s overall geographic distribution of loans meets the standard for satisfactory performance. The following tables represent the geographic distribution of lending based on the sample of residential real estate, consumer, and business loans located in the assessment area.

FNB's distribution of residential real estate loans among AA geographies meets the standard for satisfactory performance. Geographic distribution of real estate mortgage loans closely mirrors the percentage of owner occupied units for each census tract income level.

Geographic Distribution of Residential Real Estate Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Loans	N/A	N/A	4%	5%	28%	27%	68%	68%

Source: HMDA data.

FNB's distribution of consumer loans among AA geographies meets the standard for satisfactory performance. Geographic distribution of consumer loans in the moderate-income census tract is close to the percentage of moderate-income households.

Geographic Distribution of Consumer Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	N/A	N/A	6%	5%	31%	60%	63%	35%

Source: Loan sample and U.S. Census data.

FNB's distribution of business loans among AA geographies meets the standard for satisfactory performance. Geographic distribution of business loans in the moderate-income census tract slightly exceeds the percentage of businesses located in the census tract. The AA includes only two moderate-income census tracts.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	N/A	N/A	8%	10%	32%	35%	60%	55%

Source Loan sample and U.S. Census data.

Responses to Complaints

FNB has not received any complaints regarding their performance in helping to meet assessment area credit needs during this evaluation period.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

We found no evidence of illegal discrimination or other illegal credit practices during our review.