



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 11, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Oklahoma National Bank and Trust Company
Charter Number 23935**

**8908 South Yale Avenue
Tulsa, OK 74137**

**Comptroller of the Currency
Eastern Oklahoma Field Office
7134 South Yale, Executive Ctr. Bldg., 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 (LMI) 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 **Oklahoma National Bank and Trust Company, Tulsa, Oklahoma** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 11, 2002. 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."

Oklahoma National Bank and Trust Company (ONB) is responsive to the credit needs of its community including low- and moderate-income individuals and areas. The following factors support this conclusion:

- The bank's loan-to-deposit ratio is very good considering the bank's relatively new existence and in comparison with other area banks.
- A majority of ONB's loans, 67% in number and 65% in dollar volume, are made in ONB's assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes.
- ONB is responsive to the community development needs of its assessment area and ONB has originated loans to finance affordable housing, including a Habitat for Humanity home for LMI individuals.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Oklahoma National Bank and Trust Company (ONB) is a \$114 million community bank located in the Tulsa, Oklahoma, Metropolitan Statistical Area (MSA). ONB is a newly chartered institution that opened for business in January 2000. ONB is 100% owned by Twenty-First Century Financial Services, a one-bank holding company. ONB operates from its main office and a three lane drive-thru facility located at 8908 South Yale Avenue. ONB also operates a Loan Production Office in Oklahoma City, Oklahoma. The drive-thru facility has one automated teller machine (ATM). Hours of operation are responsive to the general banking needs of the areas served. Regular banking hours between the main office and drive-thru are from 7:00 a.m. to 6 p.m. on Monday - Friday and the drive-thru is opened on Saturday from 9:00 a.m. to 12:00 p.m.

There are no legal, financial, or other barriers impeding the bank's ability to meet the credit needs of the assessment area. As of September 30, 2001, loans totaled \$96 million and represented 85% of total assets. Although the bank offers a wide variety of credit products, its lending strategy focuses on commercial real estate and other commercial loans. The table below reflects the composition of the bank's loan portfolio, as of September 30, 2001.

Loan Category	\$(000)	%
Commercial Real Estate Loans	39,249	40.76%
Commercial Loans	21,673	22.51%
Residential Real Estate Loans	27,862*	28.93%
Consumer Loans	2,832	2.94%
Other	4,685	4.86%
Total	96,301	100.00%

* Includes \$13,222M in 1-4 family residential construction loans that are not Home Mortgage Disclosure Act (HMDA) reportable loans.

DESCRIPTION OF ASSESSMENT AREA

The defined assessment area (AA) includes 74 census tracts in the Tulsa, Oklahoma MSA. The area includes one low, six moderate, thirty middle, and thirty-seven upper-income level census tracts. This delineation meets the technical requirements of the regulation and does not arbitrarily exclude LMI geographies/individuals. The table on the next page describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	69,502
Number of Households	101,309
<i>Geographies</i>	
Number of Census Tracts	74
% Low-Income Census Tracts	1%
% Moderate-Income Census Tracts	8%
% Middle-Income Census Tracts	41%
% Upper-Income Census Tracts	50%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	32,578
2000 HUD-Adjusted MFI	46,800
<i>Economic Indicators</i>	
Unemployment Rate	4.3%
2000 Median Housing Value	80,073
% of Households Below Poverty Level	8.61%

The bank's designated assessment area has a total population of 251,682. Only 1.23% of all households reside in a low-income census tract, 8.32% reside in moderate-income census tracts, 45.05% reside in middle-income census tracts, and 45.40% reside in upper-income census tracts. The distribution of households by income level, regardless of census tract location, consists of the following: 17.6% are low-income, 13.8% are moderate-income, 18.5% are middle-income, and 50.2% are upper-income.

Competition is strong with numerous banks, credit unions, and financial intermediaries operating within the bank's assessment area. The local economy is good. Tulsa reported a 4.3% unemployment rate, as of December 2001, versus a 5.4% national unemployment rate for the same period. Major employers in the Tulsa MSA include three area hospitals, American Airlines, Tulsa Public Schools, Williams Companies, and MCI/Worldcom.

COMMUNITY CONTACT

To better understand the general credit needs of citizens residing within the assessment area, we reviewed a contact made with the Manager of the Tulsa Development Authority-Urban Development Department Community Services Division. Based on the information obtained, there is a need for affordable housing in low- and moderate-income areas.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

ONB's loan-to-deposit (LTD) ratio meets the standard for satisfactory performance given the bank's size, financial condition, and considering the communities credit needs. Since March 31, 2000, the bank's LTD ratio averaged 90.59%. Over the same time period, the bank's competitor's had an average LTD ratio of 89.24%. The peer group includes subject bank and three other commercial banks operating in the assessment area.

Lending in Assessment Area

A majority of ONB's loans are originated within the assessment area. Commercial real estate and other commercial loans are the bank's primary loan products. Our sample was comprised of residential real estate (home purchase and refinance loans), consumer loans, and small business loans. Based on our loan sample, approximately 67% of the total number of loans reviewed and 65% of the dollar amount of loans reviewed were originated within the assessment area. The following table illustrates the location of each product type by number of loans and by dollar amount of loans.

TOTAL LOANS REVIEWED (Evaluation Period)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Real Estate	20	66.66	2,446	81.93	10	33.34	539	18.06
Consumer	20	66.66	420	67.54	10	33.34	202	32.45
Small Business	20	66.66	2,594	54.38	10	33.34	2,176	45.62
Total Reviewed	60	66.66	5,460	65.18	30	33.34	2,917	34.82

Lending to Borrowers of Different Incomes and 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. Our sample included all home purchase and refinance loans originated in 2001. Subject bank was not required to maintain HMDA information in 2000 because it did not originate the minimum number of loans to meet the reporting requirements.

RESIDENTIAL REAL ESTATE (Evaluation Period)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	12.89		14.04		20.23		52.85	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential Real Estate	5.00	0.82	10.00	3.27	5.00	0.46	80.00	95.45

As captioned above, the number of residential real estate loans to low-and moderate-income families was lower than the percentage of low- and moderate-income families in the assessment area. According to the 2001 HMDA data provided from bank management, all home purchase and refinance applications received by ONB were approved. Generally, the bank’s 1-4 family fixed rate long-term mortgages are sold on the secondary market and are not eligible for inclusion on the bank’s HMDA loan application register. Subject bank is only two years old and is gradually obtaining its market share in consumer loan products. ONB recently made application to become a certified lender through the Federal Housing Administration (FHA). If approved, the bank will be able to provide loans with lower down payments and longer terms to qualified applicants.

In early 2000, the bank and a partner participated in the construction of a Habitat for Humanity home. This home’s total construction cost was \$42,000 and its new owner meets the low-to moderate-income guidelines. The timing of this project is particularly commendable given the fact that the bank had not achieved profitability by the time this in-kind contribution was made.

Eight community development loans totaling \$2,358M were originated by ONB since its inception. These multi-family rental housing units offer below-market rental rates that are geared toward low- and moderate-income families. These units are also situated in low-and moderate-income census tract in or contiguous to the bank’s assessment area.

CONSUMER (Evaluation Period)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	17.6		13.8		18.5		50.2	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer	20.00	7.06	10.00	3.96	25.00	22.55	45.00	66.43

As captioned above, ONB’s penetration of consumer loans to low-and moderate-income families reflects very good dispersion amongst low-income families. Consumer loans, to moderate-income families, were slightly below the percentage of moderate-income families in the assessment area. Consumer loans represent less than 3% of the bank’s loan portfolio. Bank advertising has not been targeted toward consumer lending. The bank’s consumer loan penetrations are appropriate given the bank’s relatively new existence and entrance into the

market where substantial competition exists.

The distribution of ONB's business loans reflects a reasonable penetration amongst businesses of different sizes. Based on U.S. Census information and as captured below, small businesses represent 90.96% of all businesses within the assessment area. Our sample of commercial loans originated inside the assessment area included twenty loans totaling \$2,594M. The bank's number of loans to businesses with revenues less than \$1 million is lower than the percentage of small businesses in the assessment area. ONB is actively trying to increase its market share in small business lending. To that end, ONB offers Small Business Administration (SBA) guaranteed loans as a credit enhancement for marginal borrowers. To date, ONB has \$3,994M in small business administration guaranteed loans in its portfolio.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (Evaluation Period)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	90.96%	9.04%
% of Bank Loans in AA #	80.00%	20.00%
% of Bank Loans in AA \$	51.81%	48.18%

Geographic Distribution of Loans

The geographic distribution of ONB's loans reflects a reasonable penetration throughout the assessment area given the bank's primary business strategy and its limited presence. Low-and moderate-income census tracts comprise less than 10% of the bank's assessment area. Based on our sample, ONB did not originate any residential real estate loans in low-income census tracts. There is only one low-income tract out of the seventy-four census tracts in the bank's assessment area. Owner occupied units comprise less than 2% of the housing stock in this particular census tract. Households below the poverty level comprise 32% of the total households in this low-income census tract. This low-income census tract is also several miles from the bank's only facility.

RESIDENTIAL REAL ESTATE (2001)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0.05		4.16		44.84		50.95	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential Real Estate	0.00	0.00	0.00	0.00	25.00	17.48	75.00	82.52

There are six moderate-income census tracts in the bank's assessment area. Based on our sample, ONB did not originate any residential real estate loans in its moderate-income census tracts. Just 4% of the assessment areas owner-occupied units are situated in moderate-income

census tracts. With the exception of one moderate-income census tract, owner occupied units represent less than 45% of the available housing stock in the moderate-income census tracts. Households below the poverty level comprise approximately 17% of the total household in the moderate-income census tracts. A substantial majority of ONB's home purchase and refinance loans are sold on the secondary market. The bank is prohibited from recording these mortgage originations on its HMDA loan application register. ONB's niche in residential real estate lending is home construction loans, which also are not eligible to be recorded on the bank's HMDA loan application register. Residential construction lending comprises 47% of ONB's residential real estate portfolio. Alternative residential real estate products available at ONB include home equity loans and junior mortgages for various purposes.

The geographic distribution of consumer loans meets the standard for satisfactory performance. Based on our loan sample, ONB did not originate any consumer loans in low-income census tracts. There is only one low-income census tract in the assessment area. Consumer loans are not a primary loan product offered by the bank. The percentage of household below the poverty level in the low-income census tract (32%) limits the pool of creditworthy borrowers. The bank does offer loans in amounts as low as \$1 thousand. ONB has only one banking facility, which is several miles away from the low- and moderate-income census tracts in its assessment area. Five percent of the consumer loans in our sample were originated in moderate-income census tracts. Moderate-income census tracts comprise eight percent of the census tract in the assessment area.

CONSUMER LOANS (2001-2002)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
%of AA Households ⁵	1.2		8.3		45.0		45.4	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer	0.00	0.00	5.00	3.82	20.00	13.12	75.00	83.06

The geographic distribution of small business loans meets the standard for satisfactory performance. Less than one percent of the small businesses are situated in low-income census tracts. Based on our sample, ONB did not have any small business loans in low-income census tracts. Fifteen percent of the small business loans in our sample were originated in moderate-income census tracts. Eleven percent of the small businesses in the assessment area are situated in moderate-income census tracts.

BUSINESS LOANS (Evaluation Period)								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0.32		11.03		42.44		46.21	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Small Business	0.00	0.00	15.00	10.00	35.00	27.09	50.00	63.27

Qualified Investments and CD Services

Management did not request that we review investments and services.

Responses to Complaints

Management has not received any written complaints since opening in January 2000.

Fair Lending Review

An analysis of years 2000-2001 public comments, consumer complaint information, HMDA, and small business lending 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. A comprehensive fair lending examination has not been performed since the bank opened in January 2000.