



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 17, 2009**

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

The First National Bank and Trust Company of Okmulgee  
Charter Number 11001

610 East 8th  
Okmulgee, OK 74447-0000

Office of the Comptroller of the Currency

TULSA (EASTERN OKLAHOMA)  
7134 South Yale Executive Ctr. Bldg., Suite 910  
Tulsa, OK 74136-6360

**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.

**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 satisfactory.
- The bank's level of lending to individuals of different income levels and businesses and farms of different sizes is satisfactory given the demographics of the AA.
- The bank has not received any consumer complaints regarding CRA performance.
- The distribution of bank loans represents a reasonable penetration among individuals of different income levels and businesses of different sizes.
- A majority of the bank's primary loan products are within the bank's assessment areas.

## **Scope of Examination**

First National Bank & Trust Company of Okmulgee (FNB&T) was evaluated under the Small Bank examination procedures. The lending test evaluates the bank's record of meeting the credit needs of its Assessment Areas (AA's) through its lending activities.

The lending test for FNB&T covers its performance from September 4, 2003 through February 17 2009, as this is representative of its lending strategy since the last CRA examination.

FNB&T's lending strategy primarily focuses on small business, commercial real estate, and 1-4 family real estate loans. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data were tested and found to be reliable. Therefore, HMDA data were used to evaluate the bank's home loan performance. To evaluate the bank's business lending performance, we selected a sample of business loans made from 02/17/06 through 02/17/09.

## DESCRIPTION OF INSTITUTION

As of September 31, 2008 The First National Bank and Trust Company of Okmulgee (FNB&T) was a \$195 million independent community bank in Okmulgee, Oklahoma. FNB is a wholly owned subsidiary of First Okmulgee Corporation (FOC), a multi-bank holding company. During 2003 FOC acquired 100% of First National of Henryetta, Inc. and their subsidiary First National Bank, Henryetta, Oklahoma. FNB&T was established in 1917 and serves the community with a main office and attached drive-thru, a branch facility located in a local Wal-Mart store, a limited service branch located in downtown Okmulgee, and two proprietary non deposit taking automated teller machines (ATM), as well as the Henryetta branch.

As of September 31 2008, FNB&T reported net loans and leases of \$117 million and had a net loans and leases to total assets ratio of 58.97%. The bank's loan-to-deposit ratio on the same date was 75.93%. The loan portfolio composition is as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	32,737	27.95
Commercial Loans	29,145	24.88
Residential Real Estate Loans	34,829	29.74
Farm Production Loans	3,710	3.17
Farm Real Estate Loans	5,634	4.81
Consumer Loans	10,432	8.91
Other Loans	636	.54
<b>Total</b>	<b>117,123</b>	<b>100%</b>

There are no legal or financial impediments to FNB&T's ability to meet the credit needs of its AA's. The bank was rated Satisfactory at its last CRA examination dated September 4, 2003.

## **Description of Assessment Areas (AA's)**

FNB&T has two AA's in Oklahoma, which are described below:

### **Okmulgee Metropolitan Statistical Area**

The Okmulgee AA is comprised of one complete county, which is Okmulgee County. This county is located in Eastern Oklahoma and is part of the Tulsa MSA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas.

The area consists of nine census tracts in Okmulgee County. In aggregate, three census tracts are located in middle-income tracts and six are located in moderate-income tracts. FNB's main office is located in a middle-income census tract within the AA

The level of banking competition in the assessment area is considered to be high and includes numerous commercial banks and two credit unions. The unemployment rate for Okmulgee County was 7.2% compared to the state unemployment rate of 4.9%, as of December 2008.

The local economy is generally diversified and not heavily influenced by any single industry. Several light manufacturing companies and the Oklahoma State University Technical Center are significant employers in the area, as well the local school district. Significant employment sectors include education, services, retail trade, light industrial, and government.

In conducting the assessment of the bank's performance, we contacted a local organization. The contact indicated that there may be future opportunities for local lenders involving construction financing within the Commercial and Industrial Park currently being built north of Okmulgee. Water and sewer lines are currently being laid for this development. The contact indicated a strong possibility of a \$22 million dollar investment being finalized on a windmill base production facility which would create roughly 350 jobs.

The charts below are a summary of some demographic information for this MSA:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b>Population</b>	
Total Population	39,685
Number of families	10,768
Percentage of low income families	32%
Percentage of moderate income families	22%
Percentage of middle income families	21%
Percentage of upper income families	25%
Number of households (HH)	15,308
Percentage of HH in low income tracts	0%
Percentage of HH in moderate income tracts	62%
Percentage of HH in middle income tracts	38%
Percentage of HH in upper income tracts	0%
<b>Geographies</b>	
Number of census tracts (CT)	9
Percentage of low income CT	0%
Percentage of moderate income CT	67%
Percentage of middle income CT	33%
Percentage of upper income CT	0%
<b>Median Family Income (MFI)</b>	
2000 Census MFI (\$)	45,678
2002 HUD-Adjusted MFI (\$)	54,700

<b>Demographic Information</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	9	0%	67%	33%	0%
Population by Geography	39,685	0%	62%	38%	0%
Owner-Occupied Housing by Geography	11,102	0%	59%	41%	0%
Businesses by Geography	3,633	0%	67%	33%	0%
Farms by Geography	107	0%	62%	38%	0%
Family Distribution by Income Level	10,768	32%	22%	21%	25%
Household Distribution by Income Level	15,308	27%	16%	18%	40%
Census Median Family Income (MFI)	\$45,678	Median Housing Value 2008		\$70,580	
HUD-Adjusted MFI: 2007	\$40,100	Families Below the Poverty Level		19.73%	
HUD- Adjusted MFI: 2006	\$40,400	Unemployment Rate		7.2%	
HUD – Adjusted MFI 2005	\$39,300				

Source: 2000 U.S. Census Data

**Okfuskee Assessment Area**

The bank’s second AA is all of Okfuskee County which is located in Eastern Oklahoma. This AA meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. The area consists of four census tracts in Okmulgee County. FNB&T’s main office is located in a middle-income census tract within the AA.

The charts below are a summary of some demographic information for this MSA:

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b>Population</b>	
Total Population	11,814
Number of families	2,986
Percentage of low income families	26%
Percentage of moderate income families	21%
Percentage of middle income families	23%
Percentage of upper income families	30%
Number of households (HH)	4,271
Percentage of HH in low income tracts	0%
Percentage of HH in moderate income tracts	54%
Percentage of HH in middle income tracts	46%
Percentage of HH in upper income tracts	0%
<b>Geographies</b>	
Number of census tracts (CT)	4
Percentage of low income CT	0%
Percentage of moderate income CT	50%
Percentage of middle income CT	50%
Percentage of upper income CT	0%
<b>Median Family Income (MFI)</b>	
2000 Census MFI (\$)	35,517
2002 HUD-Adjusted MFI (\$)	44,000

<b>Demographic Information</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	0%	67%	33%	0%
Population by Geography	11,814	0%	49%	51%	0%
Owner-Occupied Housing by Geography	3,246	0%	48%	52%	0%
Businesses by Geography	1,248	0%	42%	59%	0%
Farms by Geography	48	0%	13%	87%	0%
Family Distribution by Income Level	2,986	26%	21%	23%	30%
Household Distribution by Income Level	4,271	27%	16%	18%	40%
Census Median Family Income (MFI)	\$35,517	Median Housing Value 2008		\$63,054	
HUD-Adjusted MFI: 2007	\$35,800	Families Below the Poverty Level		17.35%	
HUD- Adjusted MFI: 2006	\$36,000	Unemployment Rate		6.0%	
HUD – Adjusted MFI 2005	\$35,150				

Source:  
2000  
U.S.  
Census  
Data

## **Conclusions with Respect to Performance Tests**

### **Lending Tests**

FNB&T’s performance under the lending test is satisfactory. The bank was found to have reasonable penetration among borrowers of different income levels and businesses of different sizes.

All criteria of the lending test are documented below:

### **Loan-to-Deposit (LTD) Ratio**

FNB&T’s LTD ratio is satisfactory. The bank's quarterly average LTD ratio since the September 4, 2003 CRA Public Evaluation is 73.41% compared to a peer average over the same 22 quarters of 72.23%.

The bank’s net loan-to-deposit ratio compares favorably with other financial institutions of similar size, location and product offerings. FNB&T ranks second among a total of four similarly situated banks. The average net loan-to-deposit ratios for the other four banks over the same 22 quarters ranged from 51.27% to 101.75%.

### **Lending in Assessment Area**

FNB&T lending within the assessment area is satisfactory. A majority of FNB&T’s primary loan products were made within the bank's assessment areas. The following table details the bank’s lending within the AA by number and dollar amount of loans. Seventy-two percent of the loans originated in these primary loan products were made within the AA’s.

The following chart details the lending in the assessment area data:

Area is Okmulgee-Okfuskee AA

	Inside Assessment Area				Outside Assessment Area				Total	
	Count	%	Amount	%	Count	%	Amount	%	Count	Amount
<b>Home Purchase</b>										
FHA, VA, FSA/RHS	0	100.0%	\$0	0.00	1	100.00	\$15	100.00	1	\$15
Conventional	280	70.71	\$13,486	60.39	116	29.29	\$8,846	39.61	396	\$22,332
<b>Total Home Purchase</b>	<b>280</b>	<b>70.53</b>	<b>\$13,486</b>	<b>60.35</b>	<b>117</b>	<b>29.47</b>	<b>\$8,861</b>	<b>39.65</b>	<b>397</b>	<b>\$22,347</b>
<b>Other Home</b>										
Refinancing	324	85.04	\$15,481	77.35	57	14.96	\$4,533	22.65	381	\$20,014
Home Improvement	315	82.03	\$7,129	82.24	69	17.97	\$1,540	17.76	384	\$8,669
<b>Total Other Home</b>	<b>639</b>	<b>83.53</b>	<b>\$22,610</b>	<b>78.83</b>	<b>126</b>	<b>16.47</b>	<b>\$6,073</b>	<b>21.17</b>	<b>765</b>	<b>\$28,683</b>
<b>Total Home</b>	<b>919</b>	<b>79.09</b>	<b>\$36,096</b>	<b>70.73</b>	<b>243</b>	<b>20.91</b>	<b>\$14,934</b>	<b>29.27</b>	<b>1,162</b>	<b>\$51,030</b>
<b>Property Type</b>										
One To Four Family	853	80.70	\$33,193	70.97	204	19.30	\$13,577	29.03	1,057	\$46,770
Manufactured Housing	62	62.00	\$2,472	65.94	38	38.00	\$1,277	34.06	100	\$3,749
Multifamily	4	80.00	\$431	84.34	1	20.00	\$80	15.66	5	\$511
<b>Total Home</b>	<b>919</b>	<b>79.09</b>	<b>\$36,096</b>	<b>70.73</b>	<b>243</b>	<b>20.91</b>	<b>\$14,934</b>	<b>29.27</b>	<b>1,162</b>	<b>\$51,030</b>

Data Source: 2000 US Census SF1/SF3

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

FNB&T overall distribution of loans by income level of borrowers meets the standard for satisfactory performance. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. We reviewed 20 consumer, and 20 business loans within the AA to help us reach our conclusions.

### Performance in Okmulgee MSA

The borrower distribution of loans in the Okmulgee County is satisfactory. Credit needs identified for the assessment area were loans for affordable housing and loans to start-up small businesses.

### *Home Loans*



The distribution of home loans to borrowers reflects satisfactory penetration among borrowers of different income levels. The penetration among moderate-income borrowers in the AA is excellent for all three home products. The following table shows the distribution of home loan products among borrowers of different income levels.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Okmulgee County MSA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	31.88	17.06	22.06	27.49	20.90	21.80	25.16	28.91
Home Refinance	31.88	27.68	22.06	16.61	20.90	25.61	25.16	25.26
Home Improvement	31.88	23.00	22.06	29.00	20.90	22.00	25.16	21.67

Source: HMDA data for 2004-2006 and HUD-updated 2000 U.S. Census data

<b>Table 2A – Borrower Distribution of Consumer Loans</b>								
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
General Consumer	25	26	15	26	18	0	43	48

*Business Loans*

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Ninety-five percent of the bank’s loans to businesses originate during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that show 40.88% of the area’s businesses are considered small businesses. It is noted that 57.31% of the businesses in the MSA failed to report gross annual revenue.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

<b>Table 2B - Borrower Distribution of Loans to Businesses in Okmulgee County MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	40.88	1.82	57.31	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

Source: business loan data sampled from 2006-2009

Performance in Okfuskee Assessment Area

*Home Loans*

The distribution of home loans to borrowers reflects satisfactory penetration among borrowers of different income levels. The penetration among low- moderate-income borrowers in the AA is excellent for all three home products. The following table shows the distribution of home loan products among borrowers of different income levels.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in Okfuskee County Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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
Home Purchase	25.75	33.33	20.63	33.33	23.28	0	30.34	33.33
Home Refinance	25.75	25.0	20.63	25.0	23.28	0	30.34	50.0
Home Improvement	25.75	100	20.63	0	23.28	0	30.34	0

*Source: HMDA data for 2004-2006 and HUD-updated 2000 U.S. Census data*

*Business Loans*

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. One-hundred percent of the bank’s business loans originated during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This is considered reasonable compared to demographic data that show 28.37% of the area’s businesses are considered small businesses. It is noted that 69.79% of the businesses in the MSA failed to report gross annual revenue.

The following table shows the distribution of commercial loans among different sized businesses in the AA.

<b>Table 3A - Borrower Distribution of Loans to Businesses in Okmulgee County MSA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	28.37	1.84	69.79	100%
% of Bank Loans in AA by #	100	0	0	100%
% of Bank Loans in AA by \$	100	0	0	100%

*Source: business loan data sampled from 2006-2009*

**Geographic Distribution of Loans**

The distribution of loans reflects an excellent dispersion throughout the bank’s AA’s. There were no conspicuous gaps identified within FNB&T’s AA’s.

Performance in the Okmulgee Metropolitan Statistical Area

The bank’s geographic distribution of loans in this AA reflects a satisfactory dispersion throughout census tracts of different income levels.

*Home Loans*

The bank’s geographic distribution of home loans in this AA reflects a satisfactory dispersion throughout census tracts of different income levels, including the moderate-income census tract. The assessment area does not include any low or upper census tracks.

Following is a table that details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

<b>Table 4 - Geographic Distribution of Residential Real Estate Loans in Okmulgee AA</b>								
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
Home Purchase	0	0	58.82	69.19	41.18	30.81	0	0
Home Improvement	0	0	58.82	64.01	41.18	35.99	0	0
Refinancing	0	0	58.82	70.33	41.18	29.67	0	0

*Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data*

<b>Table 4A - Geographic Distribution of Consumer Loans</b>								
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
General Consumer	5	0	16	73	51%	27	28%	0

*Business Loans*

The bank’s geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels.

Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Table 4B - Geographic Distribution of Loans to Businesses/Farms in Okmulgee MSA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Business	N/A	N/A	41.19	78.18	58.81	21.82	N/A	N/A

Data Source: 2008 Business Geodemographic Data

Performance in the Okfuskee Assessment Area

The bank’s geographic distribution of loans in this AA reflects a satisfactory dispersion throughout census tracts of different income levels.

*Home Loans*

The bank’s geographic distribution of home loans in this AA reflects a satisfactory dispersion throughout census tracts of different income levels, including the moderate-income census tract. The assessment area does not include any low or upper census tracks.

Following is a table that details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

<b>Table 5 - Geographic Distribution of Residential Real Estate Loans in Okfuskee AA</b>								
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
Home Purchase	0	0	48.46	33.33	51.54	66.67	0	0
Home Improvement	0	0	48.46	100	51.54	0	0	0
Refinancing	0	0	48.46	100	51.54	0	0	0

Source: Indicate source, i.e., loan sample or data reported under HMDA; U.S. Census data.

*Business Loans*

Following is a table that details the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Table 5A - Geographic Distribution of Loans to Businesses/Farms in Okfuskee County AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ /Farms	% of Number of Loans
Business	N/A	N/A	66.72	0	33.28	100	N/A	N/A

Data Source: 2008 Business Geodemographic Data

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**Response to Complaints**

FNB has not received any complaints relating to their CRA performance since the last CRA examination dated September 4, 2008.

**Fair Lending Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. An analysis of public comments and consumer complaint information was performed according to the OCC’s risk based fair lending approach. Based on the analysis of information, the OCC decided that a comprehensive fair lending examination would not be conducted in connection with the CRA evaluation this year. The most recent fair lending exam was completed in 1998.

**Community Contact**

We initiated and completed a community contact during this evaluation, with a local, not-for-profit economic development corporation. The contact indicated that area financial institutions are perceived as taking an active role in the community, and strive to meet the financial needs of the area.