



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 27, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Prague National Bank
Charter Number 8159
820 Broadway
Prague, Oklahoma 74864**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

NOTE: 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.

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 Community Reinvestment Act (CRA) performance of The Prague National Bank, Prague, Oklahoma as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of November 27, 1996. 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.

The Prague National Bank is responsive to the credit needs of the community. This is demonstrated by the following:

- Number and dollar volume of loans extended within the assessment area.
- Number and dollar volume of loans granted to borrowers with different income levels as well as loans to small farms and small businesses.
- The variety of products and services offered.

The following table indicates the performance level of The Prague National Bank, Prague, Oklahoma with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Prague National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio			X
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

The Prague National Bank (PNB), an affiliate of Prague Bancorp, Inc., has sufficient resources to devote to meeting community credit needs. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the assessment area. PNB's banking office and drive-in facility is located at 820 Broadway in Prague, Oklahoma. In addition, PNB plans to open a full service branch at 409 South Dawson in Meeker, Oklahoma on December 9, 1996. PNB also owns one proprietary automated teller machine (ATM) located at the main banking facility on 820 Broadway. As of September 30, 1996, PNB had total assets of \$66 million, gross loans of \$24 million, and an average loan-to-deposit ratio of 38 percent. A breakdown by type of loan is reflected in the table below.

Percentage of Loans by Type as of September 30, 1996	
Real Estate	61 percent
Loans to finance agricultural production and other loans to farmers	13 percent
Instalment	12 percent
Commercial and industrial	11 percent
Credit cards and related plans	2 percent
Other loans	1 percent

Although PNB offers a wide variety of credit products, its primary lending focus is the different types of real estate loans and loans to farmers for various purposes. PNB's performance under the CRA was previously evaluated as of November 30, 1993.

DESCRIPTION OF LINCOLN, OKFUSKEE, POTTAWATOMIE, AND SEMINOLE COUNTIES.

PNB's assessment area (AA) was modified during the examination to include whole geographies. PNB's assessment area now includes the four counties of Lincoln, Okfuskee, Pottawatomie, and Seminole. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The following is a description of the revised assessment area.

The Prague National Bank

Description of assessment area

The population of the AA is 125 thousand people and includes the communities of Prague, Chandler, Stroud, Meeker, Shawnee, Tecumseh, Seminole, Wewoka, Boley, and Okemah. Census tract income characteristics are one low, 15 moderate, 18 middle, four upper, and nine not applicable with no households. The population of the city of Prague where the bank is located is two thousand. Most of the AA population base is located in Shawnee and the surrounding areas. Households by income traits within the AA consist of 686 or 1 percent low, 17 thousand or 37 percent moderate, 23 thousand or 49 percent middle, and six thousand or 12 percent upper. The 1990 census Metropolitan Statistical Area (MSA) median family income for

the AA is \$28 thousand with a median housing value of \$29 thousand. The economy is diversified somewhat due to number of small businesses operating in the community.

Major employers in the AA with more than 100 employees are detailed in the following table.

MAJOR EMPLOYERS		
EMPLOYER	# OF EMPLOYEES	LOCATION
Wrangler	215	Prague
Prague Public Schools	116	Prague
John Lilley Correctional Center	135	Boley
Wrangler, Inc.	800	Seminole
Hayes Axle Mfg.	250	Seminole
Seminole School System	162	Seminole
Goff Corporation	100	Seminole
TDK Ferrotts	600	Shawnee
Mobile Chemical Co.	460	Shawnee
Wolverine Tube	350	Shawnee
Eaton Corp.	280	Shawnee
Central Plastics Co.	240	Shawnee
Shawnee Milling	175	Shawnee
Wayne Manufacturing	115	Shawnee

MAJOR EMPLOYERS		
Tecumseh Public Schools	230	Tecumseh
Central OK Juv. Trmt. Center	187	Tecumseh
Absentee Shawnee Tribe	160	Tecumseh
Mission Hill Hospital	150	Tecumseh
United Design	250	Wewoka
Oakridge Nursing Home	150	Wewoka
Seminole County Court House	106	Wewoka

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank is satisfactory in meeting the credit needs of the entire assessment area, including low- and moderate-income individuals and areas, consistent with available resources and capabilities.

Loan-to-Deposit Ratio

The loan-to-deposit ratio does not meet the standards for satisfactory performance. This determination is based on the average loan-to-deposit ratio for the previous 12 quarters. As of September 30, 1996, the 12 quarter average loan-to-deposit ratio for PNB was 38 percent. For comparison purposes, PNB's loan-to-deposit ratio was compared to the 24 banks in the surrounding seven counties. As of June 30, 1996, these 24 banks had loan-to-deposit ratios ranging from 18 percent to 86 percent with the average being 57 percent.

Although PNB's loan-to-deposit ratio does not meet the standards for satisfactory performance, a steady growth trend over the past several years has been evident. Since 1993, this ratio has grown from 34 percent to the current level of 41 percent at September 30, 1996. When adjustments are made for public funds which are required to be secured or collateralized under Oklahoma state law, the adjusted loan-to-deposit ratio increased to 43 percent. Furthermore, it should be noted that the bank's customer base contains a large proportion of older people. This older customer base is less apt to borrow than a younger customer base. As a result, the demand for loans in the immediate Prague area is somewhat diminished in comparison to the surrounding communities. In an effort to increase its customer base, and provide better access to loans and services, longer banking hours were established and a full service branch was opened in Meeker, Oklahoma. As a result, it is anticipated that PNB's loan-to-deposit ratio will continue to reflect slow, but steady growth.

Community development loans were made to help low-to-moderate income individuals and families have access to mental and boarding home facilities. Also, a loan was granted to open and stock the only convenience store in a low-to-moderate income community.

The bank has one qualified investment (the Tulsa Housing Assistance Corporation in the original amount of \$175 thousand) purchased on September 1, 1993. Although the investment is outside of the bank's AA, the purpose of the investment is to provide housing occupancy assistance to low and very low income persons.

Lending in Assessment Area

A zip code analysis was used to determine the volume of loans made inside and outside the designated assessment area. As of November 13, 1996, PNB had 2,539 loans for \$20 million or 89 percent inside the revised assessment area.

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

Distribution of loans to borrowers of different income levels as well as to small farms and businesses is good. A sample of loan products offered by PNB was reviewed to determine income distribution within the assessment area. The review consisted of 59 instalment and real estate loans made within the last twelve months. Results of this random sample for the assessment area is illustrated in the following table.

Loans Extended by Income Classification and AA Tract Characteristics		
	Loan Distribution	Household Income
Low	34 percent	1 percent
Moderate	20 percent	37 percent
Middle	26 percent	49 percent
Upper	20 percent	12 percent

Based on this sample, the loan distribution is good in comparison to the household income characteristics of the assessment area.

The level of lending to small farms and small businesses was calculated as of November 18, 1996. This analysis revealed that more than 90 percent of commercial loans are to small businesses and 100 percent of agricultural loans are to small farms.

Geographic Distribution of Loans

The geographic analysis provided by management indicated that loans are adequately distributed throughout the AA including low- and moderate-income census tracts. A breakdown of loans by zip codes indicated that 18 percent of total loan numbers are located in moderate income census tracts, 68 percent are in middle income census tracts, and 14 percent are in upper income census tracts.

No practices were noted which were intended to discourage types of credit offered. Management solicits credit applications from all segments of the community, including low- and moderate-income neighborhoods. Our review revealed substantial compliance with all the provisions of the antidiscrimination laws and regulations. The board and management have developed adequate policies, procedures, and training programs to prevent discriminatory or other illegal credit practices.

Response to Complaints

No complaints concerning the CRA have been received since the last examination.