



Comptroller of the Currency
Administrator of National Banks

SMALL
BANK

PUBLIC DISCLOSURE

January 10, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 14986**

**2911 South Air Depot
Midwest City, Oklahoma 73140**

**Office of the Comptroller of the Currency
Southwestern District
Oklahoma City Field Office
301 N.W. 63rd Street, Suite 490
Oklahoma City, Oklahoma 73116**

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 **First National Bank, Midwest City, Oklahoma**, prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of **January 10, 2000**. 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**.

First National Bank, consistent with its resources, capabilities, and physical locations is satisfactorily meeting the credit needs of its assessment area, including those of low- and moderate-income individuals. This conclusion is based on the following:

- The bank has extended a majority of its loans within the assessment area.
- The distribution of loans reflects a satisfactory penetration among individuals and businesses of different income levels within the assessment area.
- The distribution of loans reflects a reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank, Midwest City, Oklahoma is headquartered in Midwest City, Oklahoma. It is wholly owned by First Midwest Bancorp, Incorporated, a \$24,000,000, one-bank holding company also located in Midwest City, Oklahoma. The main bank, ATM, and drive-up facility are located at 2911 South Air Depot, Midwest City, Oklahoma.

Full-service branches and ATMs are located at the following locations:

Douglas*	1213 South Douglas Boulevard
Del City*	4330 S.E. 29 th Street
Tinker	Building 748, Tinker Air Force Base
Tinker Base Exchange	AAFES Base Exchange, Tinker Air Force Base
Choctaw*	15801 N.E. 23 rd Street
Harrah	Country Boy Grocery, 20941 S.E. 29 th Street

ATM facilities only are located at the following locations:

Baker's Supermarket	4721 S.E. 15 th Street
BestYet Foods	19655 N.E. 23 rd Street
Big Bud's Phillips 66	5200 South Douglas Boulevard
Country Boy #9	18450 East Highway 9
Crest Discount Foods #1	7212 East Reno
Crest Discount Foods #2	249 North Douglas Boulevard
Country Boy	20941 S.E. 29 th Street
Del City Drive-In	Del Crest Center, S.E. 15 th Street & Sunnyslane
Tinker Air Force Base	Building 3001, Area "C"
Tinker Air Force Base	Commissary
Tinker Air Force Base	Officers Club
Tinker Air Force Base	Vanaway Dining Hall, Building 5905
Tinker Air Force Base	VOQ

* Also has Drive-In Facility

As of September 30, 1999, the bank's assets equaled \$263,613,000 of which \$95,081,000, or 36.07 percent of total assets, were composed of various types of loans to individuals and businesses. These loans and leases outstanding consisted of \$54,960,000 in real estate loans, (57.80 percent of total loan portfolio), \$23,204,000 in consumer loans, (24.40 percent), \$16,659,000 in commercial loans, (17.52 percent), and \$258,000 (.27 percent) in miscellaneous loans types. A "**Satisfactory**" rating was assigned at the last the Community Reinvestment Act review, which was completed as of November 6, 1996.

DESCRIPTION OF INSTITUTION - Continued

The bank's primary focus is to serve commercial and consumer customers in its assessment area. First National Bank meets these needs by providing various types of loan and deposit products and services. The ability to lend in its assessment area continues to be impacted by very strong competition from a substantial number of other banks and financial institutions, or branches of those institutions. Tinker Federal Credit Union, located approximately one-half mile from First National Bank's main office, provides significant competition for consumer related lending. This situation is further compounded as Tinker Air Force Base is located adjacent to the bank and is one of the largest employers in the assessment area.

DESCRIPTION OF ASSESSMENT AREA FOR FIRST NATIONAL BANK:

The assessment area adopted by the bank's Board of Directors meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income geographies. The assessment area is located within the Oklahoma City Metropolitan Statistical Area (MSA), including the cities of Midwest City, Del City, Choctaw, and Harrah. It is described as the area bordered on the south by S.E. 74th Street, from Bryant Avenue to Harrah Road; on the east by Harrah Road, from S.E. 74th Street to East Britton Road; on the north by East Britton Road, between Harrah Road and Peebly Road, and Wilshire Boulevard between Peebly Road and Bryant Avenue; on the west by Bryant Avenue, between Wilshire Boulevard and S.E. 74th Street.

The assessment area contains 42 census tracts. The 1990 United States Census Bureau data identifies these tracts to have the following characteristics:

Tract Income Characteristics	Number Of Tracts	Percentage of Total Tracts
Low	1	2.38%
Moderate	10	23.81%
Middle	25	59.52%
Upper	6	14.29%
Total	42	100.00%

United States Census Bureau information as of 1990 reflected a total population of 136,884 for the assessment area. The area contained 56,236 housing units with a median housing value of \$50,755. Of these, 34,720, or 62 percent, are owner-occupied. Additionally, there were 38,310 families and 50,194 households in the assessment area. Of these households, 5,777 were considered to be below poverty level. Eighty-two percent of the households derive their income from wages or salaries. The 1990 HUD MSA Updated Median Family Income totals \$43,300. The overall economic condition in the area continues to be good. Unemployment is at a historically low level. As of November 1999, the unemployment rate was 2.20 percent of the population. The largest employers in the area are Tinker Air Force Base and General Motors. Other principal employers in the trade territory are the State of Oklahoma, Rose State College, Mid-Del School System, and the City of Midwest City.

There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the assessment area. Several other national and state chartered banks serve the assessment area. Branches of these banks, as well as the branches of other banks and federal savings banks also serve it. One community contact made during the examination found that financial institutions in the area are perceived to be meeting banking needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

First National Bank's loan to deposit meets the standards for satisfactory performance. The average quarterly to deposit ratio from September 30, 1996 through September 30, 1999, was 41.12 percent. The lowest quarterly period ratio was 40.09 percent at June 30, 1999, and the highest was 44.03 at September 30, 1997. The ratio as of September 30, 1999 was 42.92 percent. The bank's loan to deposit ratio at September 30, 1999 does improve to 50.23 percent after adjusting for:

- (1) the significant amount of temporary deposits associated with insurance proceeds from the May 3, 1999 tornado (approximately \$10,000,000);
- (2) the significant amount of public funds on deposit (approximately \$21,000,000); and,
- (3) residential real estate loans originated by the bank, but sold in the secondary market (approximately \$6,000,000) from January 1, 1999 through September 30, 1999.

First National Bank's loan to deposit ratio is less than the average loan to deposit ratio for 57 national and state-chartered banks operating in Oklahoma County and the six surrounding counties. The average annual ratio for this group as of quarter ending September 30 for 1997, 1998, and 1999 equaled 64.98 percent. At September 30, 1999, the average loan to deposit ratio of this group was 66.31 percent. First National Bank's below average loan to deposit ratio results from its inability to attract loan applications resulting from very strong competition from other banks and financial institutions in the area (see "*Description of Institution*" section of this Evaluation). However, in spite of this obstacle, the loan to deposit ratio has shown significant improvement since the prior Community Reinvestment Act review. At September 30, 1996, the bank's loan to deposit ratio was 31.39 percent, (38.45 percent as adjusted), compared to 42.92 percent, (50.23 percent as adjusted), at September 30, 1999. The improvement has resulted from management's efforts to improve the bank's long standing, conservative image which inhibited their ability to attract loan applicants. These efforts have included marketing campaigns, establishing a personal banking program to assist customers with loans and deposits, extending banking hours, implementing a home mortgage lending department, and introducing a home equity loan program. Additionally, the bank also offers a Home Improvement Program, which loans up to 100 percent of the value of the residence, with low closing costs.

Lending in Assessment Area

The bank has extended a majority of its loans within its assessment area. Internal reports, which identified the census tract location of approximately \$83,536,000 of various types of loans in the portfolio (approximately 90 percent of the total portfolio) at December 31, 1999, noted the following characteristics:

Loan Sample	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
Miscellaneous Loan Types (6,215 Loans = \$83,536,000)	57.99% (3,604 Loans)	42.01% (2,611 Loans)	56.45% (\$47,158,000)	43.55% (\$36,378,000)

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

The distribution of loans reflects a satisfactory penetration among individuals and businesses of different income levels within the assessment area. The following tables analyzes income data for residential loans originated or purchased in the assessment area from the 1999 HMDA-LAR and a sample of business loans extended in the assessment area based on gross revenues reported.

Residential Loans Extended in the Assessment Area:

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Residential Loans Number of Loans = 186	10.75% (20 Loans)	18.28% (34 Loans)	28.49% (53 Loans)	42.47% (79 Loans)
Residential Loans Dollars of Loans = \$4,982,000	6.38% (\$318,000)	14.19% (\$707,000)	21.50% (\$1,071,000)	57.93% (\$2,886,000)

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes: (Continued)

The number of loans to each income group compares similar to the distribution of families by income level, as illustrated in the following table:

Description	Low Income (<50% of Median*)	Moderate Income (50-80% of Median*)	Middle Income (80-120% of Median*)	Upper Income (>120% of Median*)
Families In Assessment Area (38,310)	18.96% (7,264)	19.91% (7,629)	25.09% (9,612)	36.03% (13,805)

*1990 census updated median family income for the assessment area was \$43,300.

Business Loans Extended in the Assessment Area:

Distribution of Loans by Annual Gross Revenues		
Description	Revenues \$0-1,000,000	Revenues Greater \$1,000,000
# of Loans (25)	72.00% (18 Loans)	28.00% (7 Loans)
\$ of Loans (\$11,719,000)	24.96% (\$2,925,000)	75.04% (\$8,794,000)

An analysis of this sample reveals that the bank has extended a substantial majority its business loans to small businesses (those with revenues less than \$1,000,000). Per census data, small businesses in the assessment area reporting revenues also compose a substantial majority of businesses located in the assessment area, as the following table illustrates:

Commercial Businesses (Non-Farm) in Assessment Area Reporting Revenues		
Description	Revenues \$0-1,000,000	Revenues Greater \$1,000,000
# of Businesses (2,659)	92.78% (2,467)	7.22% (192)

Although a majority of the dollars were not loaned to small business, it is expected that businesses with annual revenues that exceed \$1,000,000 are likely to require larger borrowings.

Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion throughout the assessment area. The dollar volume and number of loans extended in the various income tracts is representative of the percentage of the population that those tracts represent. This conclusions is based on an analysis of 3,604 loans totaling \$47,158,000 extended in the assessment area as depicted in the following table:

Tract Income Level	# of Loans Extended In Tract	\$ of Loans Extended In Tract	# of Loans Extended In Tract As % of Total	\$ of Loans Extended In Tract As % of Total	Population of Tract	Population of Tract As % of Total Population
Low (1 Tract)	18	248,000	0.50%	0.53%	567	0.41%
Moderate (10 Tracts)	674	5,006,000	18.70%	10.62%	28,243	20.63%
Middle (25 Tracts)	2,395	34,167,000	66.45%	72.45%	87,632	64.02%
Upper (6 Tracts)	517	7,736,000	14.35%	16.40%	21,948	16.03%
Total (42 Tracts)	3,604	47,158,000	100.00%	100.00%	136,884	100.00%

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination of the bank on November 6, 1996.

Fair Lending Matters

Substantial compliance with all provisions of the anti-discrimination laws and regulations was noted during the examination. No evidence of discrimination or disparate treatment was found. The lending practices of First National Bank, Midwest City, Oklahoma, are reflective of anti-discrimination policies.