

PUBLIC DISCLOSURE

May 11, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Durant
Charter Number 14005**

**220 West Main Street
Post Office Box 309
Durant, Oklahoma 74702**

**Comptroller of the Currency
7134 South Yale, Suite 910
Tulsa, Oklahoma 74136**

<p>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.</p>

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 **First National Bank in Durant** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 11, 1999. 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 average quarterly loan-to-deposit ratio is satisfactory.
- < A majority of loans are within the assessment area.
- < Loans are reasonably disbursed among individuals of different income levels and businesses of different size.
- < The geographic distribution of loans reflects a very good dispersion throughout the assessment area.

The following table indicates the performance level of the **First National Bank in Durant** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank in Durant 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 have been received.		

DESCRIPTION OF INSTITUTION:

The First National Bank in Durant (FNB) is a \$163 million financial institution located in the community of Durant, Oklahoma. Durant is located in the northwestern part of Bryan. The bank is 100% owned by a one bank holding company FNB Financial Services, Incorporated. The holding company had total assets of \$178 million as of December 31, 1998. FNB serves its market with a main office, a drive-through facility, full service branches in Durant and Boswell, and seven proprietary automated teller machines. The last CRA Performance Evaluation of FNB was prepared on January 13, 1997, and a Satisfactory rating was assigned.

Facilities at each location are readily assessable and business hours are very convenient. FNB offers full service banking on Saturdays. The bank also provides computer assisted personal financial services through their HOMELINK product. This product provides an array of loan and deposit options relating to account balance, transfers, and available services. FNB also provides a toll-free telephone service for 24-hour account information. There are no known factors which may impede the bank from meeting the credit needs of the assessment area.

The bank's lending strategy focuses on commercial business lending, one-to-four family real estate loans, and consumer lending. As of December 31, 1998, 42.32% of total assets were represented by gross loans. The table below reflects the composition of the portfolio as of December 31, 1998.

LOAN TYPE	12/30/98 \$ VOLUME (Thousands)	% OF PORTFOLIO
1-4 Family	\$14,426	20.95%
Commercial/ Other Real Estate	\$23,838	34.62%
Commercial	\$11,003	15.98%
Consumer	\$13,234	19.22%
Agriculture	\$6,356	9.23%
TOTAL	\$68,857	100%

Source: Uniform Bank Performance Report

DESCRIPTION OF ASSESSMENT AREA:

FNB’s assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. FNB’s assessment area consists of the eleven Block Numbering Areas (BNAs) of Bryan County, and one BNA in Choctaw County. There are no low-income BNAs within the assessment area. The population of the area is approximately 35 thousand and the census median income is \$24,139. The following chart breaks down the BNAs by income level.

TRACT INCOME LEVEL	COUNT	%
Low	0	0%
Moderate	7	58%
Middle	4	33%
Upper	1	9%
TOTAL	12	100%

Source: 1990 US Census

The following chart breaks down the assessment area’s population by income level.

FAMILY INCOME LEVEL	% OF TOTAL FAMILIES
Low	27.92%
Moderate	18.79%
Middle	18.03%
Upper	35.26%

Source: 1990 US Census

Durant serves as the county seat for Bryan County and is located approximately 100 miles north of Dallas, Texas, and 160 miles south of Tulsa. The economy is stable. The economic base is centered in manufacturing, retail, and educational services. Significant employers include Southeastern Oklahoma State University, Medical Center of Southeastern Oklahoma, Heartland Wireless, and Potter Sausage. Regionally, the area is attractive to tourism because of the proximity to Lake Texoma. The bank is in a highly competitive market with at least six other financial institutions within the assessment area including four banks, one credit union, and a Farm Credit Services office. One of the banks is a branch location with its headquarters located outside the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

This performance evaluation covers the period from January 13, 1997, to May 11, 1999. Bank generated reports and a sample of residential, commercial, and agriculture loans were used to determine the bank's lending performance in regards to lending in the assessment area, lending to borrowers of different incomes, and the geographic distribution of loans.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given FNB's size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio for the previous eight quarters is approximately 46%. The ratio has ranged from 43% to 50% and has been lower than their peer group average. As of December 31, 1998, the other three banks headquartered within the assessment area had loan-to-deposit ratios of 72%, 61%, and 35% with an average of 56%. FNB's ratio as of March 31, 1999, approximated 50%, and reflects an upward trend since the June 30, 1998, ratio of 43%.

Lending in the Assessment Area

Based on internal generated reports, we determined that a majority of the bank's lending occurs within the assessment area. FNB collects and analyzes geo-coding data for approved loans and generates periodic reports. Internal reports, which track all loans by zip code, indicate that during the assessment period 4,114 or 83% of the number of loans originated were made within the assessment area. These reports further indicate the dollar volume of loans made within the assessment area approximated \$28 million or 52% of the total dollar volume of loans originated.

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

The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable given the demographics of the assessment area.

Residential Real Estate Mortgage Loans & Consumer Auto Loans:

A sample of 48 residential real estate and consumer auto loan originations was reviewed to determine borrower income distribution within the assessment area. The following chart illustrates the number and percentage of these loans made to applicants of different income levels versus the percentage of families within each tract income category.

APPLICANT/FAMILY INCOME LEVEL	NUMBER OF LOAN ORIGINATIONS	% OF TOTAL LOAN ORIGINATIONS	% OF FAMILIES WITHIN ASSESSMENT AREA
Low	7	15%	28%
Moderate	7	15%	19%
Middle	14	29%	18%
Upper	20	41%	35%
	48	100%	100%

Source: Internal Bank reports

Commercial Loans:

A review of commercial loan originations since January 13, 1997, indicates the bank originates a reasonable volume of loans to small business with gross revenues of \$1 million or less. Of the 15 sampled loans, 9 or 60% were to small businesses. Furthermore, approximately 79% of the estimated 353 originations made within the assessment period were for loans of \$100 thousand or less.

Agriculture Loans:

A review of agricultural loan originations since January 13, 1997, indicates the bank originates a reasonable volume of loans to small farms with gross annual revenues of \$1 million or less. Of the 9 sampled loans, 8 or 89% were to small farms. In addition, approximately 99% of the estimated 385 originations made within the assessment period were for loans of \$100 thousand or less.

Although not definitive, loan size is often a reflection of the business or farm size. As indicated by the number of commercial and agricultural loan originations of \$100 thousand or less, it is likely that most of these were to small businesses or small farms.

Geographic Distribution of Loans

The geographic distribution of loans reflects very good dispersion throughout the assessment area. Based on a sample of 2,029 loans or 49% of the originations during the assessment period within the assessment area, a large majority were located within moderate income BNAs. The following chart compares the number and percentage of BNAs by income level to the number and percentage of sampled loans made within the moderate, middle, or upper income BNAs.

Income Levels	LOW		MODERATE		MIDDLE		UPPER	
	#	%	#	%	#	%	#	%
Number of BNAs	0	0	7	59%	4	33%	1	8%
Number of Loans	NA	NA	1,482	73%	547	27%	0	0

Source: Internal Bank Report

Response to Complaints

FNB has not received any complaints regarding their performance in meeting assessment area credit needs.

Compliance with Fair Lending Laws and Regulations

An evaluation of the bank’s compliance with fair lending laws and regulations was conducted as part of a concurrent compliance examination. No evidence of discrimination or disparate treatment was noted during the compliance examination.