



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

June 23, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Davis
Charter Number 5298**

**227 E. Main
Davis, Oklahoma 73030**

**Comptroller of the Currency
Southwestern District
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 First National Bank of Davis, Oklahoma** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of June 23, 1998. 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. Consistent with its resources and capabilities, the bank is meeting the credit needs of its assessment area, including those of low- and moderate-income individuals, in a reasonable manner.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Davis</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	Insufficient data exist to perform a meaningful analysis of this performance criteria.		
Response to Complaints	There have been no complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Davis (FNB) is headquartered in Davis, Oklahoma. It is 100% owned by Davis Bancorp, Incorporated.

The main bank is located at 227 E. Main in Davis, Oklahoma. Drive-in facilities are located at the main bank and at 1200 E. Main in Davis. Automated Teller Machine (ATM) services are available at the main bank. The bank's primary focus is to serve commercial, agricultural, and consumer customers in Davis and the surrounding areas in Murray, Garvin and Carter Counties. FNB meets these needs by providing various loan and deposit products.

As of March 31, 1998, FNB's total assets equaled \$30,952,000 of which \$20,246,000 or 65.41 percent, were composed of various types of loans to individuals and businesses. The \$20,246,000 in loans and leases outstanding consisted of \$8,722,000 in real estate loans, (43.08 percent), \$7,977,000 in consumer loans, (39.40 percent), \$3,241,000 in commercial loans, (16.01 percent), and \$306,000 in agricultural loans, (1.51 percent).

There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the assessment area. The last review of performance under the Community Reinvestment Act was completed as of July 5, 1995.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by FNB'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 described in more detail below.

The First National Bank of Davis, Oklahoma, Assessment Area

The assessment area is located in South Central Oklahoma and contains six Block Numbered Areas (BNA). The assessment area encompasses the three contiguous BNA's in Murray County, two BNA's in Garvin County and one BNA in Carter County. FNB's main bank, drive-ins and ATM are located in BNA #9907 in Murray County.

Based on 1990 census data, the United States Census Bureau identifies all of the six BNA's as middle income. BNA's #9906, #9907, and #9908 are located in Murray County. BNA's #9914 and #9919 are located in Garvin County and BNA #9921 is located in Carter County.

United States Census Bureau information as of 1990 reflected a total population of 21,754 for the assessment area. The area contained 10,088 housing units with 6,278 or 62 percent owner occupied. Additionally, there were 6,142 families and 8,239 households in the area. Sixty-six percent of the households derive their income from wages or salaries. The largest employment sectors in Murray County were retail trade and services.

The assessment area is served by other stand alone national and state chartered banks. The area is also served by branches of other banks and federal savings banks, and finance companies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank is satisfactorily meeting the credit needs of the entire assessment area, consistent with available resources and capabilities.

Loan to Deposit Ratio

The loan to deposit ratio is reasonable and meets the standard for satisfactory performance after adjusting for the bank's large portfolio of purchased loans which are primarily funded by external bank borrowings. Below is a comparison of the bank's performance in this area on both an unadjusted and adjusted basis. The nature and propriety of the adjustments are also detailed.

Unadjusted Loan to Deposit Ratio:

On an unadjusted basis, the average quarterly loan to deposit ratio from June 30, 1995 through March 31, 1998 was 69.53%. During these twelve quarters the bank's unadjusted loan to deposit ratio steadily increased from a low of 49.62 percent at June 30, 1995, to a high of 88.96 percent at March 31, 1998.

This unadjusted ratio compares very well to the average loan to deposit ratio for the twenty banks headquartered in Murray, Garvin, Carter, and Pontotoc counties. As of March 31, 1998, the unadjusted loan to deposit ratio for these area banks ranged from 25.61 to 88.96 percent with an average of 58.79 percent. This was up from 49.99 percent as of June 30, 1995. Of these 20 banks, First National Bank of Davis reports the highest unadjusted loan to deposit ratio.

FNB's unadjusted ratio also compares very well to the loan to deposit ratios of the other two commercial banks headquartered within the assessment area. At March 31, 1998, the Sulphur Community Bank reported a ratio of 79.83 percent and the First State Bank of Elmore City reported a ratio of 36.48 percent.

Adjusted Loan to Deposit Ratio:

Since 1993 the bank has utilized external borrowings versus local deposits to purchase loans from financial institutions outside the bank's assessment area. While the volume of these purchased loans has increased the bank's loan to deposit ratio, it has negatively impacted the ratio of loans made within the assessment area. Given the lack of negative impact on the reinvestment of local deposits, an effort was made to analyze the bank's loan to deposit ratio and ratio of loans made within the assessment area after adjustments for these factors.

On an adjusted basis, FNB's ratio still compares well to the average loan to deposit ratios for the twenty banks headquartered within Murray County and the surrounding counties. The adjusted average quarterly loan to deposit ratio from June 30, 1995 through March 31, 1998 was 60.54 percent. The ratio as of March 31, 1998 was 67.30 percent. The low ratio for the period was 46.95 percent at December 31, 1995. The high ratio for the period was 72.61 percent at September 31, 1997.

Lending in Assessment Area

To analyze lending distribution within the assessment area, the bank periodically performs a loan distribution analysis using borrower zip codes. As of March 31, 1998, internal reports indicate 538 loans for \$8,019,000 were made to borrowers within the assessment area. This analysis reflects that 48 percent of the number of loans and 40 percent of dollar volume were made within the assessment area. As stated previously, this lower ratio can be contributed to the large volume of loans the bank has purchased from institutions outside the assessment area. These purchased loans have been substantially funded through external bank borrowings versus local deposits.

Without these borrowings and related loan purchases, the ratio of loans by dollar volume made within the assessment area would increase to 53 percent. This adjusted ratio is indicative of a satisfactory effort for this performance category.

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

The distribution of borrowers reflects a good penetration among individuals as well as businesses and farms of different income levels within the assessment area. The following table uses income data collected by the bank from all loans approved from March to May 1998.

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (96)	25%	22.92%	18.75%	33.33%
Dollars of Loans (\$694,671)	19.37%	12.37%	22.17%	46.09%

The number of loans to each income group compares well to the distribution of households and families by income level, as illustrated below:

Description	% Low Income (<50% of Median)*	% Moderate Income (50-80% of Median)*	% Middle Income (80-120% of Median)*	% Upper Income (>120% of Median)*
Households (8,239)	26.11%	17.37%	15.23%	41.29%
Families (6,142)	23.17%	18.08%	18.24%	40.51%

*1990 census median family income for the assessment area was \$23,672. Median household income for the assessment area was \$19,040.

Additionally, the sample of eleven commercial and agricultural loans reviewed revealed that 100 percent were extended to entities with annual gross revenues of less than \$1 million per year.

FNB's innovativeness and proactiveness is demonstrated in lending to small farms and businesses through their participation in the guaranteed loan programs offered by the Farmers Service Administration (FSA) and the Small Business Administration (SBA). At the time of the examination, FNB had \$28,000 in outstanding loans guaranteed by FSA and \$381,000 in outstanding loans guaranteed by the SBA. FNB also offers an Affordable Housing Loan Program for low and moderate income individuals. At the time of the examination, FNB had \$174,000 in outstanding loans in their Affordable Housing Loan Program.

Geographic Distribution of Loans

No analysis of the geographic distribution of credit within the assessment area was performed as the assessment area includes no low or moderate income Block Numbered Areas.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination of the bank on July 5, 1995.

Fair Lending Matters

Additionally, no evidence of discrimination or disparate treatment was found. The lending practices of The First National Bank of Davis are reflective of anti-discrimination policies.