



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Tulsa, OK 74136

PUBLIC DISCLOSURE

June 01, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Okemah National Bank
Charter Number 7677**

**302 W. Broadway
Okemah, OK 74859**

**Office of the Comptroller of the Currency
Tulsa Field Office
7134 South Yale Avenue, Suite 910
Tulsa, OK 74136**

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.

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 CRA performance of *Okemah National Bank, Okemah, Oklahoma*, prepared by the *Office of the Comptroller of the Currency*, the institution's supervisory agency, as of *June 1, 2005*. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Note: Throughout this evaluation Okemah National Bank will be referred to as "ONB."

Institution's CRA Rating: This institution is rated **Satisfactory**.

- ONB's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- ONB's loan to deposit (LTD) ratio is satisfactory. Since the May 17, 1999 Performance Evaluation, the bank's LTD ratio has averaged 57.40%. Over the same time period, the bank's competitor's has an average LTD ratio of 62.85%.
- ONB generates a substantial majority of its loans within the defined assessment area.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals (LMI) and small businesses.
- The geographic distribution of loans reflects very favorable on lending throughout the assessment area.

The following pages further describe the bank's CRA performance.

DESCRIPTION OF INSTITUTION

ONB is a \$58 million dollar rural community bank located in Okemah, Oklahoma. The main bank and drive in facility are located in downtown Okemah. There are no branches. ONB does issue automated teller machine (ATM) cards and several ATM's are available throughout the community. The bank's primary focus is to serve the residents of Okemah and the surrounding areas. The bank meets these needs by providing various loan and deposit products as well as other financial services. The bank's lending strategy focuses on one-to-four family real estate loans, consumer loans, and small business loans to meet the needs of the community. The table below shows the composition of the bank's loan portfolio, which represents approximately 49% of total assets as of December 31, 2004. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	2,389	8.33%
Commercial Loans	63	0.22%
Residential Real Estate Loans	15,766	54.99%
Farm Production Loans	2,064	7.20%
Farm Real Estate Loans	448	1.56%
Consumer Loans	7,702	26.86%
Other Loans	241	0.84%
Total	28,673	100.00%

Bank lobby services are provided Monday through Friday and half day on Saturday for the drive-in facility. ONB faces a moderate level of competition from other financial institutions in the assessment area. Based on its financial condition, the local economy, product offerings, competition, and prior performance, ONB has the ability to meet the various credit needs in its community. At our last CRA examination as of May 17, 1999, the bank's CRA rating was "Satisfactory." No legal impediments or other factors hinder the bank's ability to provide credit in its assessment area.

DESCRIPTION OF ASSESSMENT AREA

ONB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The AA consists of 4 census tracts that comprise Okfuskee County and includes the towns of Bearden, Boley, Castle, Clearview, Okemah, Paden, and Weleetka. The following table describes major demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	2,986
Number of Households	4,271
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	50%
% Middle-Income Census Tracts/BNA	50%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	29,866
2004 HUD-Adjusted MFI	41,300
<i>Economic Indicators</i>	
2000 Median Housing Value	45,931
# of Households Below Poverty Level	938

We contacted the director of a local community development organization and small business owner to gain a better understanding of the needs of the citizens residing within the AA. This individual stated that the predominant needs are more affordable housing and industrial growth that will provide better quality jobs. ONB and the other major institution in town are both active in the community and responsive to the credit needs in its AA. However, our contact stated that financial institutions could better utilize State and Federal Government sponsored programs to help renters become first time homebuyers. Periodic meetings with the general public to discuss the various programs and qualification requirements would provide an added benefit for the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

ONB's LTD ratio compares favorably to other financial institutions operating in the AA. The bank's LTD ratio since the last examination has averaged 57.40%, which is reasonable, compared to peer banks with an average LTD ratio of 62.84% over the same time period.

Lending in the Assessment Area

The substantial majority of ONB's loans are made within the AA. Our analysis determined that 85% of the number and 87% of the dollar amount of all loans in the portfolio originated within the AA.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Recent lending patterns indicate a **very good** distribution of loans among borrowers of different income levels and businesses of different sizes. We based our review on a sample of 20 1-4 family residential real estate loans, 20 auto loans, and 20 commercial loans within the AA. As the chart below indicates, the bank predominately lends to low- or- moderate-income individuals. The majority of commercial loans were to small businesses with gross income of \$1 million or less.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Assessment Area								
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
Residential Loans	25.75%	15.00%	20.63%	25.00%	23.28%	30.00%	30.34%	30.00%

Source: Loan sample and 2000 U.S. Census data.

Table 2A - Borrower Distribution of Consumer Loans in Assessment Area								
Borrower 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
Consumer Loans	29.83%	40.00%	17.58%	40.00%	19.53%	20.00%	33.06%	0%

Source: Loan sample and 2000 U.S. Census data.

Table 2B – Borrower Distribution of Loans to Businesses/Farms in Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	62.37%	2.79%	34.84%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Loan sample and 2000 U.S. Census Data.

Geographic Distribution

As indicated by the following tables, ONB has a **strong** record of lending throughout the AA. This is evidenced by the level of lending in the moderate-income tracts relative to the number of households and families residing in that tract.

Table 3 - Geographic Distribution of Consumer Loans in Assessment Area								
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
Consumer Loans	0%	0%	60.44%	90.00%	39.56%	10.00%	0%	0%

Source: Loan sample and 2000 U.S. Census data.

Table 3A - Geographic Distribution of Residential Real Estate Loans in Assessment Area								
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
Residential Loans	0%	0%	48.46%	100.00%	51.54%	0.00%	0%	0%

Source: Loan sample and 2000 U.S. Census data.

Table 3B - Geographic Distribution of Loans to Businesses/Farms in Assessment Area								
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/farm Loans	0%	0%	50.17%	65.00%	49.83%	35.00%	0%	0%

Source: Loan sample and 2000 U.S. Census data.

Responses to Complaints

ONB has not received any complaints relevant to CRA during the evaluation period.

Compliance with Fair Lending Laws and Regulations

ONB has a satisfactory record of complying with fair lending laws and regulations.