



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 25, 2010

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.

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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 the Okemah National Bank (ONB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 25, 2010. 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.

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

- ONB's lending performance is reasonable given its size, financial condition, and known credit needs in its assessment area.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals (LMI) and small businesses.
- ONB generates a substantial majority of its loans within the defined assessment area.
- The geographic distribution of loans reflects very favorably on lending throughout the assessment area.

Scope of Examination

ONB was evaluated under the Small Bank examination procedures. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The lending test for ONB covers its performance from December 31, 2006 through December 31, 2009, which is representative of its lending strategy since the last CRA examination.

DESCRIPTION OF INSTITUTION

ONB is a \$65 million rural community bank located in Okemah, Oklahoma. The main bank and drive-in facility are located in downtown Okemah. The bank does not have any branches. The Main bank is located specifically at 302 W. Broadway, Okemah, Oklahoma. The bank is a subsidiary of OK Bancorporation, Inc. ONB does issue automated teller machine (ATM) cards and ATM's are available throughout the community. The bank's primary focus is to serve commercial and consumer customers in 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 48 % of total assets as of September 30, 2009. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

Loan Category	\$ (000)	%
Real Estate	21,625	66.53
Individual	7,356	22.63
Agriculture/Farm	2,660	8.18
Commercial	524	1.61
Other Loans	338	1.05
Total	32,503	100%

Source: 09/30/09 Uniform Bank Performance Report

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 June 1, 2005, 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) consists of 4 census tracts. This AA meets the requirements of the regulation and does not arbitrarily exclude low-or-moderate income geographies. The AA includes all census tracts in Okfuskee County. Specifically, these four tracts are coded as 9806, 9807, 9809, and 9810. The following table describes major demographic and economic

characteristics of the assessment area.

Demographic Information					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	0%	50.00%	50.00%	0%
Population by Geography	11,814	0%	49.11%	50.89%	0%
Owner-Occupied Housing by Geography	3,246	0%	48.46%	51.54%	0%
Businesses by Geography	1,207	0%	43.33%	56.67%	0%
Farms by Geography	49	0%	16.33%	83.67%	0%
Family Distribution by Income Level	2,986	25.75%	20.63%	23.28%	30.34%
Household Distribution by Income Level	4271	29.83%	17.58%	19.53%	33.06%
Census Median Family Income (MFI)	\$35,517	Median Housing Value 2009			\$45,931
HUD-Adjusted MFI: 2009	\$46,400	Families Below the Poverty Level			21.96%
HUD-Adjusted MFI: 2008	\$44,000	Unemployment Rate			4.8%
HUD-Adjusted MFI: 2007	\$42,400				

Source: 2009 Business Geodemographic Data; 2000 U.S. Census Data

We contacted a local member of the community to gain a better understanding of how ONB helps to meet the needs of the community. The community contact indicated that ONB as well as the other financial institution in town were very involved in the community through matching donations and providing information about investing. The contact indicated there is a need for small business loans and affordable housing. The contact believes that this will improve the local economy by providing jobs and provide incentives for people to relocate to Okfuskee County. Scholarships and other financial aid would also benefit the county.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

ONB's LTD ratio lags behind that of the other banks competing in its assessment area. ONB's LTD ratio averaged 57.02% over the 18 quarters since the last CRA examination. The other two banks operating in Okfuskee County averaged 91.42% and 83.2%. Although ONB's LTD ratio lags behind that of the other banks in this area, it is still considered reasonable given the bank's size and structure. The other banks' asset size is more than double that of ONB's and both have more than one branch location. The bank's most direct competitor, Citizens State Bank, has an asset size of \$132 million and has 2 branch locations (both located inside the AA). The other bank, Citizens Security Bank & Trust Company, has 13 locations with only 1 located inside the assessment area. It has an asset size of \$625 million.

Lending in Assessment Area

A substantial majority of ONB's loans are made within the assessment area. Our analysis determined that 90% of the number and 94.61% of the dollar amount of loans were made within the assessment area. The following chart details our findings from the sample.

Loans Within Bank's AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential	18	90%	2	10%	20	\$1,449,986	93.5%	\$100,741	6.5%	\$1,550,727
Consumer	17	85%	3	15%	20	\$271,032	92.07%	\$23,349	7.93%	\$294,381
Business	19	95%	1	5%	20	\$722,799	97.96%	\$15,080	2.04%	\$737,879
Totals	54	90%	6	10%	60	\$2,443,817	94.61%	\$139,170	5.39%	\$2,582,987

Source: Loan Sample

Lending to Borrowers of Different Incomes and to 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 and 20 consumer loans within the assessment area. Our conclusions were based on loans originated since the last CRA exam. As the charts below indicate, the bank predominately lends to low- or- moderate-income individuals. The majority of commercial loans were to small businesses with gross revenue of \$1 million or less.

Borrower Distribution of Residential Real Estate Loans								
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	17.87%	10%	14.53%	30%	18.57%	10%	49.02%	50%

Source: Loan Sample & 2000 U.S. Census Data

Borrower Distribution of Consumer Loans								
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	20.08%	35%	14.43%	20%	16.43%	20%	49.05%	25%

Source: Loan Sample & 2000 U.S. Census Data

Borrower Distribution of Loans to Businesses/Farms in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	28.37%	1.84%	69.79%	100%
% of Bank Loans in AA by #	55%	25%	20%	100%
% of Bank Loans in AA by \$	65.44%	27.65%	6.91%	100%

Source: Loan Sample & 2000 U.S. Census Data

Geographic Distribution of Loans

The bank's geographic distribution of loans in this AA reflects reasonable dispersion throughout census tracts of different income levels.

Home Loans

The bank's geographic distribution of home loans in this AA reflects reasonable dispersion throughout census tracts of different income levels, including the moderate-income census tract. Following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in AA								
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	1.16%	0%	8.25%	30%	30.15%	70%	60.44%	0%

Source: Loan Sample & 2000 U.S. Census Data

Consumer Loans

Geographic Distribution of Consumer Loans in AA								
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	20.08%	0%	14.43%	50%	16.43%	50%	49.05%	0%

Source: Loan Sample & 2000 U. S. Census Data

Business Loans

The bank's geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels. Following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Geographic Distribution of Loans to Businesses/Farms in AA								
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	0%	0%	41.19%	15%	58.81%	80%	0%	5%

Source: Loan Sample & 2000 U.S. Census Data

Responses to Complaints

A review of the bank's public file as well as Customer Assistant Group (CAG) database indicates the bank has not had any complaints since the last CRA exam.

Fair Lending Review

The last fair lending risk assessment was performed as of May 6, 2009 to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - Equal Credit Opportunity Act (ECOA). We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. The bank is in compliance with the substantive provisions of the ECOA.