



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 3, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank in Altus  
Charter Number 12155**

**110 East Broadway  
Altus, Oklahoma 73521**

Office of the Comptroller of the Currency  
Oklahoma City Field Office  
Kyle M. Jones,  
Assistant Deputy Comptroller  
Harvey Parkway Building, Suite 490  
301 NW 63<sup>rd</sup> Street  
Oklahoma City, Oklahoma 73116-7906

**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.

## ***INSTITUTION'S CRA RATING***

### ***Satisfactory***

The major factors that support this rating include the following:

- The bank's loan-to-deposit rating is reasonable and meets the standard for satisfactory performance;
- A substantial majority of the bank's loans are made within the assessment area (AA);
- The bank's distribution of loans reflects a reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance; and,
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA and meets the standard for satisfactory performance.

## ***SCOPE OF EXAMINATION***

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on data from a sample of small business and vehicle loans extended from January 1, 2007 through March 31, 2009.

## ***DESCRIPTION OF INSTITUTION***

First National Bank in Altus (FNB) is headquartered in Altus, Oklahoma, with branches all located in southwestern Oklahoma. FNB is wholly owned by First Altus Bancorp, Incorporated, a one-bank holding company. The main bank and drive-in are located at 110 East Broadway, Altus, Oklahoma. Full service branches with drive-in facilities are located at 1606 North Main Street in Altus; 229 South Broadway in Hobart; Highway 183 and Oak Street in Mountain Park; and 815 North 10<sup>th</sup> in Frederick. An additional full service branch is located at 100 South Broadway Street in Tipton. Automated Teller Machines (ATMs) services are available at the main bank; the Altus branch; the Hobart branch; the Frederick branch; the United Supermarket Store at 1520 North Main in Altus; the United Supermarket Store at 600 East Broadway in Altus; the Hop & Sack Convenience Store at 200 Baseline Road in Tipton; and, at the United Grocery Store at 300 North Main Street in Frederick.

As of March 31, 2009, FNB reported total assets of \$284 million, Tier 1 Capital of \$22 million, and a loan-to-deposit ratio of 44 percent. Gross loans were reported to be \$81 million, or 29 percent of total assets. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$000</b>	<b>%</b>
Commercial Real Estate	\$34,626	42.97
Commercial and Industrial	\$20,259	25.14
Residential Real Estate	\$14,376	17.84
Agriculture Production Loans	\$ 7,894	9.80
Other	\$ 1,841	2.28
Individual Loans	\$ 1,586	1.97
<b>Total</b>	<b>\$80,582</b>	<b>100.00</b>

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA. A "*Satisfactory*" rating was assigned at the last Community Reinvestment Act review, which was performed as of November 24, 2003.

The bank's primary focus is to serve commercial and consumer customers in its AA. FNB meets these needs by providing various types of loan and deposit products and services. The ability to lend in its AA continues to be impacted by very strong competition from a substantial number of other banks and financial institutions, or branches of those institutions.

## ***DESCRIPTION OF ASSESSMENT AREA(S)***

FNB's has defined their AA as Jackson (8 census tracts), Kiowa (3 census tracts), and Tillman (5 census tracts) counties located in southwest Oklahoma. The AA is comprised of 16 census tracts. None of these counties are located in a Metropolitan Statistical Area (MSA). Of the 16 census tracts in FNB's AA, no tracts are low-income, 3 tracts are moderate-income, 11 tracts are middle-income, and 2 tracts are upper-income. Three census tracts in Jackson County, three tracts in Kiowa County, and four tracts in Tillman County are designated as Middle-Income Non-Metropolitan Distressed or Underserved Geographies.

According to the 2000 U.S. Census Data, FNB's AA has a population of 47,953. Additionally, there were 18,440 households containing 13,051 families. Of the 13,051 families; 21.2 percent; 17.8 percent; 20.4 percent; and, 40.6 percent report low; moderate; middle; and, upper-income; respectively. The median family income for the AA is \$35,517 and HUD's 2008 updated MSA Median Family Income is \$42,400. The AA contains 22,023 housing units with 12,326, or 56 percent, being owner occupied. Households below the poverty level total 18 percent and households which receive public assistance equal 6 percent.

The community credit needs and business opportunities are also served by several other national and state chartered banks, or branches of those institutions, as well as numerous finance companies.

A community contact was performed who described the local economy as good, despite the weak national economy. The local agriculture and retail sectors continue to do well. The lack of moisture combined with a late freeze has significantly damaged the 2009 wheat crop. However, most farmers had crop insurance and benefited from the high wheat price and yields experienced in 2008. Projections for the upcoming cotton crop remain positive. The contact stated that new businesses and jobs are critical needs for the community in light of the population loss trends the area is experiencing.

Selected information about the demographics of FNB’s AA is detailed in the table below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF FNB’S AA</b>	
<b>Population</b>	
Number of Families	13,051
Number of Households	18,440
<b>Geographies</b>	
Number of Census Tracts/BNA	16
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	18.75%
% Middle-Income Census Tracts/BNA	68.75%
% Upper-Income Census Tracts/BNA	12.50%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$35,517
2008 HUD-Adjusted MFI	\$42,400
<b>Economic Indicators</b>	
Unemployment Rate	2.16%
2000 Median Housing Value	\$49,986
% Of Households Below Poverty Level	17.91%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

The bank’s performance under the Lending Test is rated “**Satisfactory**”

### LOAN-TO-DEPOSIT RATIO

FNB’s loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance when considering performance context issues. The bank’s loan-to-deposit ratio at March 31, 2009 was 43.4 percent. The bank’s average quarterly loan-to-deposit ratio from December 31, 2003 through March 31, 2009 was 31 percent. This average was compared to the average of five similar banks located in or adjacent to FNB’s AA with total assets between \$150 million and \$350 million, for the same time period. These average loan-to-deposit ratios are listed in the following table:

Loan-To-Deposit Ratios		
Institution	Total Assets as of 3/31/09 (000s)	Average Loan-to- Deposit Ratio
Liberty National Bank, Lawton, OK	\$171,216	92.34%
City National Bank and Trust of Lawton, OK	\$276,520	79.26%
First National Bank and Trust, Chickasha, OK	\$348,796	70.64%
First National Bank and Trust, Shawnee, OK	\$181,201	54.49%
<b>First National Bank in Altus, OK</b>	<b>\$283,756</b>	<b>31.09%</b>
Fort Sill National Bank, Lawton, OK	\$308,898	30.81%

*Source: Institution Reports of Condition from December 31, 2003 to March 31, 2009*

FNB’s loan-to-deposit ratio is less than the average of the five comparable banks of 65.5 percent. However, not included in FNB’s loan to deposit ratio are farm real estate loans originated by the bank and sold to secondary market investors. During the evaluation period, FNB originated approximately 142 farm real estate loans totaling \$136.6 million. If included, these originations would place the bank’s loan-to-deposit ratio well above 70 percent. FNB also maintains high levels of public funds from the city, county and local hospital, which also dilutes the bank’s loan-to-deposit ratio.

## LENDING IN ASSESSMENT AREA

FNB’s lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of small business and vehicle loans were originated within the bank’s AA. As depicted in the table below, 91.3 percent of the number and 80.6 percent of the dollar amount of loans were originated in FNB’s AA.

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	Percent	#	Percent		\$	Percent	\$	Percent	
Small Business	28	90.32	3	9.68	31	\$ 5,070	79.93	\$ 1,273	20.07	\$6,343
Vehicle	24	96.00	1	4.00	25	\$ 264	96.35	\$ 10	3.65	\$ 274
<b>Totals</b>	<b>42</b>	<b>91.30</b>	<b>4</b>	<b>8.70</b>	<b>56</b>	<b>\$ 5,334</b>	<b>80.61</b>	<b>\$ 1,283</b>	<b>19.39</b>	<b>\$6,617</b>

Source: Sample of 2007- 2009 small business and vehicle loans

## LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

FNB’s borrower distribution of small business and vehicle loans in the AA is reasonable and meets the standard for satisfactory performance.

The bank’s borrower distribution to businesses with revenues of \$1 million or less is satisfactory. The percentage of bank loans to small businesses by number exceeds the percentage of reporting businesses with revenues of \$1 million or less in the AA. The percentage by dollar amount is less than the percentage of reporting businesses because of the large loan amounts associated with those businesses sampled with revenues exceeding \$1 million. Note that 48.16 percent of the businesses and farms in the AA did not report income data, which renders this analysis less meaningful.

Borrower Distribution of Loans to Businesses/Farms				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	49.62%	2.22%	*48.16%	100%
% of Bank Loans in AA by #	74.07%	25.93%	0.00%	100%
% of Bank Loans in AA by \$	30.68%	69.32%	0.00%	100%

Source: Loan sample of 2007-2009 small business;  
Dunn and Bradstreet data

\* 48.16% of the businesses did not report income data

The distribution of vehicle loans to low- and moderate-income borrowers exceeds the percentage of moderate-income households in the AA and represents outstanding performance.

Borrower Distribution of Vehicle Loans								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24.27%		15.90%		18.08%		41.75%	
Vehicle Loans	% of Number	% of Amount						
Totals	29.17	29.60	37.50	33.57	25.00	31.20	8.33	5.63

Source: Loan sample of 2007- 2009 vehicle loans

### GEOGRAPHIC DISTRIBUTION OF LOANS

FNB’s geographic distribution of small business and vehicle loans in FNB’s AA is reasonable and meets the standard for satisfactory performance. There are no low-income census tracts in FNB’s AA and only three moderate tracts representing only 18.7 percent of the tracts in the AA. As a result, less weight was given to the geographic distribution and more weight was given to the income distribution when assessing the bank’s overall lending performance. The tables below provide detailed information on the geographic distribution of loans sampled.

Geographic Distribution of Loans to Businesses								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business Loans	0.00	0.00	25.02	14.29	57.49	39.29	17.49	46.43

Source: Loan sample of 2007-2009 small business loans; Dunn and Bradstreet data

The distribution of vehicle loans to households in moderate-income tracts is satisfactory, given that only three census tracts are considered moderate income (and no low income tracts).

Geographic Distribution of Vehicle Loans								
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
Vehicle Loans	0.00	0.00	19.58	41.67	59.64	33.33	20.78	25.00

Source: Loan sample of 2007- 2009 vehicle loans

## ***RESPONSES TO COMPLAINTS***

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

## ***FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW***

We found no evidence of discriminatory or other illegal credit practices with helping to meet community credit needs.