



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 11, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank & Trust Company
Charter Number 5401**

**105 N. Maple
Nowata, OK 74048**

**Comptroller of the Currency
Eastern Oklahoma Field Office
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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 (LMI) 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 and Trust Company, Nowata, Oklahoma** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 11, 2002. 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 First National Bank and Trust Company (FNB&T) is responsive to the credit needs of its community including low-and moderate-income individuals and areas. The following factors support this conclusion:

- The bank's average loan-to-deposit ratio exceeds that of its immediate competitors.
- A majority of FNB&T loan's are originated within the bank's assessment area.
- Credit activity is reasonably distributed to borrower's of different income levels and businesses of different sizes.

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

DESCRIPTION OF INSTITUTION

The First National Bank and Trust Company (FNB&T) is a \$61 million community bank headquartered in Nowata, Oklahoma. FNB&T is owned by Nowata Bancshares, Inc., a one-bank holding company. The bank operates all its offices within Oklahoma. These include the main office, a drive-in facility, and an automated teller machine in Nowata, and a branch in South Coffeyville, Oklahoma. A Loan Production Office formerly located in Bartlesville was closed in 1999. The bank's business strategy primarily focuses on agriculture lending, though 1-4 family residential lending, and commercial and industrial lending are also significant. At September 30, 2002, agriculture lending remains the largest concentration as the table below indicates:

Loan Category	\$ (000)	%
Agriculture Production Loans	6,915M	16%
Agriculture Farmland Loans	8,694M	20%
Subtotal	15,609M	36%
Commercial & Industrial Loans	13,260M	31%
1-4 Family Residential Real Estate Loans	10,193M	24%
Installment Loans	2,807M	7%
Other Loans	894M	2%
Total	42,763M	100%

Based on its financial condition and size, product offerings, and prior performance, FNB&T has the ability to meet the various needs of its communities. No legal impediments or other factors hinder the bank's ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

FNB&T has designated its assessment area as Nowata County, Oklahoma. The assessment area meets the technical requirements of the regulation. Of the five census tracts comprising the assessment area, all are designated as middle-income tracts. The assessment area does not arbitrarily exclude low-and moderate-income (LMI) geographies/individuals. The table on the following page describes demographic and economic characteristics of the assessment area.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	2,869
Number of Households	3,955
<i>Geographies</i>	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$23,395
2001 HUD-Adjusted MFI	\$34,000
<i>Economic Indicators</i>	
Unemployment Rate	2.93%
1990 Median Housing Value	\$26,409
% of Households Below Poverty Level	22.25%

Based on 1990 U.S. Census Data

The local economy is diversified and includes a large agriculture base and various commercial enterprises. Primary industry employers include the service industry, farming, and various levels of government offices. Major employers in the county include Nowata Public Schools, Nowata General Hospital, Disan (aircraft and other defense components), Nowata Machine Works (filters & vessels for gas extraction), and Grand Lake Mental Health (throughout county; headquartered in Nowata).

Community Contact

To better understand the general credit needs of citizens residing within the assessment area, we interviewed representatives from the local Department of Human Services, Habitat for Humanity, and Oklahoma State University Extension office. These entities expressed that affordable housing was the predominate need in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank has a strong loan-to-deposit ratio, given its asset size, financial condition, and the credit needs of its assessment area. Since the previous Community Reinvestment Act evaluation in April 1997, the bank's quarterly loan-to-deposit ratio averaged 87.82%. This exceeds the 74.32% average reported by local competing financial institutions in Nowata and Craig counties of Oklahoma. The bank has been involved in providing credit to develop the community, especially to small farms and small businesses.

Lending in Assessment Area

A majority of FNB&T loans are originated within the assessment area. Agriculture, residential real estate, and commercial loans are the primary loan products. Our sample included all loans originated between January 1, and October 31, 2002. As captioned above, 65.03% of the number and 54.94% of the dollar amount of loans were extended to customers living within the bank's assessment area.

TOTAL LOANS REVIEWED (Evaluation Period 1/01/02 TO 10/31/02)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Agriculture Loans	41	63.08	1,655	46.86	24	36.92	1,877	53.14
Commercial Loans	39	52.00	4,215	55.56	36	48.00	3,372	44.44
Installment Loans	213	68.93	1,258	63.47	96	31.07	724	36.53
Real Estate Loans	51	63.75	1,827	57.11	29	36.25	1,372	42.89
Totals	344	65.03	8,955	54.94	185	34.97	7,345	45.06

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

The distribution of real estate loans within the assessment area reflects less than satisfactory penetration for residential real estate loans. As captioned on the following page, only 4.76% of the residential real estate loans were made to low-income applicants while 20.77% of the assessment is comprised of low-income families. Furthermore, just 9.52% of the loans sampled were to moderate-income families while 20.36% of the families in the assessment area are moderate-income. Our sample included all home purchase, home improvement and refinancings originated in the bank's assessment area between January 1, and October 31, 2002. A cursory review of the bank's residential lending pattern in 2001 yielded similar results.

RESIDENTIAL REAL ESTATE (Evaluation Period 1/01/02 to 10/31/02)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	20.77		20.36		19.76		39.11	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Residential Real Estate	4.76	2.58	9.52	3.02	9.52	10.28	76.20	84.12

1- Based on 1990 U.S. Census Data

The distribution of consumer loans reflects reasonable penetration amongst household of different income levels. Our sample included twenty consumer loans originated within the assessment area between January 1 and October 31, 2002. Four of the twenty loans reviewed or 20% were to low-income households while 24.68% of the household in the assessment area are low-income. Six of the twenty loans were to moderate-income households while just 18.03% of the assessment area is comprised of moderate-income households.

CONSUMER (Evaluation Period 1/01/02 to 10/31/02)								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	24.68		18.03		18.84		38.46	
LOANS BY PRODUCT	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer	20.00	8.91	30.00	44.90	20.00	15.79	30.00	30.40

2- Based on 1990 U.S. Census Data

The distribution of FNB&T's small business loans reflects outstanding penetration amongst businesses of different sizes. Based on the U.S. Census information and as captured below, small businesses represent 87.17% of the assessment area and 95% of the commercial and agriculture loans sampled were to businesses with gross revenues of less than one-million dollars. Subject bank participates in government guaranty lending programs with the Small Business Administration and Farm Service Agency.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (Evaluation Period 1/01/02 to 10/31/02)		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	87.17%	7.16%
% of Bank Loans in AA #	95.00%	5.00%
% of Bank Loans in AA \$	95.74%	4.26%

3- Based on 1990 U.S. Census Data

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was not performed as all census tracts in the assessment area are defined as middle-income.

Qualified Investments and CD Services (Optional)

Management did not request that we review investment and services.

Responses to Complaints

Management has not received any written complaints since the April 28, 1997 performance evaluation.

Fair Lending Review

An analysis of 2001-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.