

PUBLIC DISCLOSURE

April 22, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

THE FIRST BANK OF HASKELL
10-40-1550

BROADWAY & MAIN
HASKELL, OKLAHOMA 74436

Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, MO 64198

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 Bank of Haskell, Haskell, Oklahoma, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of April 22, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: *Satisfactory record of meeting community credit needs.*

The bank has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A substantial majority of loans are in the bank's assessment area. In addition, the geographic distribution of loans and the distribution among borrowers reflect a reasonable dispersion throughout the assessment area to individuals of different income levels and businesses and farms of different sizes.

The following table indicates the performance level of The First Bank of Haskell with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT	THE FIRST BANK OF HASKELL 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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The bank has the ability to meet the credit needs of its defined assessment area based on its size, financial condition, and resources. According to the bank's December 31, 1995 Consolidated Reports of Condition and Income ("Call Report"), the bank's assets totaled \$15,048M of which loans constituted \$9,683M or 64 percent. As depicted in the loan portfolio table below, the bank is primarily a real estate, agricultural, and commercial lender. However, the bank does offer other loan products to help meet the credit needs of its entire assessment area. The types of credit products offered by the bank, as listed in its public file, include all-purpose consumer loans; mobile home loans; home purchase, improvement, and refinance loans; and loans to finance agriculture and businesses of all sizes.

THE BANK'S LOAN PORTFOLIO		
Loan Type	Amount (\$000)	Percent of Total
Multiple and 1- to 4-family real estate	2,899	30
Farmland or agricultural	2,359	24
Commercial	2,880	30
Consumer	1,393	14
Other	152	2
TOTAL	9,683	100

The First Bank of Haskell's office and drive-up facility at 101 South Broadway are readily accessible to the entire community. The bank offers extended hours on Friday and drive-thru services are available on Saturday mornings. A new facility is under construction three blocks north of the current building; bank staff is scheduled to move into the new, larger facility in mid-July 1996.

DESCRIPTION OF THE HASKELL ASSESSMENT AREA

Haskell is a small community of 2,143 residents located approximately 30 miles southeast of Tulsa, Oklahoma, in Muskogee County. In accordance with the requirements of the revised CRA, the bank's assessment area is defined as portions of Muskogee, Tulsa, Wagoner, and Okmulgee counties. The area consists of seven census tracts and block numbering areas, collectively referred to as tracts. The four tracts located in Tulsa and Wagoner counties are in a metropolitan statistical area ("MSA"), while the three in Muskogee and Okmulgee counties are not. Assessment area characteristics based on 1990 census data are summarized in the following table.

BANK ASSESSMENT AREA CHARACTERISTICS	
Tract Summary	
Total Number of Tracts	7
Number of Low-Income Tracts	0
Number of Moderate-Income Tracts	1
Number of Middle-Income Tracts	6
Number of Upper-Income Tracts	0
Income Summary	
MSA Median Family Income (1995 data)	37,500
Statewide Non-MSA Median Family Income (1995 data)	28,200
Percent Low-Income Families	23.3
Percent Moderate-Income Families	18.9
Percent Middle-Income Families	22.0
Percent Upper-Income Families	35.8
Unemployment Summary	
Labor Force Population (Assessment Area)	12,603
Percent Unemployment (Assessment Area)	6.4
Percent Unemployment (State)	6.7
Miscellaneous Information	
Total Population	29,308
Percentage of Families Below Poverty	13.2
Percentage of Housing Units Vacant	10.9

Haskell is developing as a bedroom community for Tulsa and Muskogee. The town's economy has improved in recent years with the addition of a few new small businesses. However, the predominant industry of the assessment area is agriculture, with the

emphasis on cattle ranching, wheat and soybean crops, and sod farming. Therefore, although economic data shows construction and service industry employment in the assessment area increasing from 1990 to 1993, there has not been a significant increase in employment opportunities in Haskell's trade area.

Community contacts included a local business owner and a representative from a civic organization. The contacts had an optimistic outlook about Haskell's future economic prospects. The community credit needs are small business, agricultural, and housing loans. One contact stated a need for small businesses such as a lumberyard, feed store, and variety store. In addition, there is a shortage of residential housing in the \$40,000 to \$70,000 range. The community contacts stated that area banks are adequately serving the credit needs of the community and regularly support community development efforts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. A review of the bank's level of lending in relation to its deposits and other comparable financial institutions was conducted. The penetration of loan originations within and outside the bank's defined assessment area was also evaluated. Furthermore, the bank's level of lending to borrowers of different incomes and to businesses and farms of different sizes was analyzed. Finally, the distribution of loan originations within the bank's assessment area was evaluated. The bank has not received a complaint since the last examination.

The First Bank of Haskell's average loan-to-deposit ratio (calculated using the six quarters since the last examination) of 69 percent is higher than the bank's peer group and most other comparable area financial institutions. The loan-to-deposit ratio for the bank's peer group over the same period was 61 percent. The bank's peer group consists of all insured commercial banks having assets between \$10 million and \$25 million with one banking office and located in a nonmetropolitan area. An analysis of five neighboring banks with similar size and resources showed loan-to-deposit ratios ranging from 53 to 75 percent over the same period. The bank would like to increase its deposit base slightly to obtain its goal of approximately 65 percent loan-to-deposit ratio. The bank's average loan-to-deposit ratio is reasonable given management's philosophy, the institution's size and financial condition, and assessment area credit needs.

A substantial majority of the bank's lending occurs within its assessment area. The

table below shows, by general product type, the number of loans reviewed and the percentage of those loans located in the bank's assessment area.

LOANS WITHIN THE BANK'S ASSESSMENT AREA		
<i>Loan Type</i>	<i>Number Reviewed</i>	<i>Percentage Within Assessment Area</i>
Agricultural	30	100
Commercial	32	94
Real Estate	24	96
Total Loans	86	97

Furthermore, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses and farms of different sizes. A review of borrower income for 23 real estate loans indicated 13 percent of the loans sampled were made to low-to-moderate income, 35 percent to middle-income, and 52 percent to upper-income borrowers. A review of gross revenues for 29 agricultural and 30 commercial loans indicated a substantial majority of the loans sampled were made to farms and businesses with less than \$1 million in revenues and were for amounts less than \$100,000, as shown in the table below.

NUMBER AND PERCENTAGE OF LOANS MADE TO BUSINESSES AND FARMS OF DIFFERENT SIZES						
Business Revenue Information	Small Farm Loans			Small Business Loans		
	Loan Amount			Loan Amount		
	<=100,000	100,000 to <=250,000	250,000 to <=1,000,000	<=100,000	100,000 to <=250,000	250,000 to <=1,000,000
Total number of loans	28	1	0	28	2	0
Percentage of total loans	97%	3%	-	93%	7%	-
Loans to business/farm with <\$1M revenue	28	1	0	28	2	0
Of loans for this amount, % to small business/farm	100%	100%	-	100%	100%	-
Of loans to small business/farm, % in this loan amount	97%	3%	-	93%	7%	-

Finally, the geographic distribution of loans originated by the bank reflects reasonable dispersion throughout the bank's assessment area. Analysis of the 83 loans located in the assessment area indicated loans were originated in six of the seven tracts. The majority were made in the tract where Haskell is located. Two agriculture loans were originated in the moderate-income tract, which borders Haskell on the east side. The western half (adjacent to Haskell) is mostly wheat, alfalfa, and sod farms. The population in this moderate-income tract is in the eastern half and is served by several other financial institutions. Based on the bank's size, the geographical considerations, and the locations of competing financial institutions, the geographic distribution of loans is reasonable.

Currently, opportunities for the bank to participate in community development programs and provide innovative banking services are limited. Consequently, the performance evaluation does not include information on qualified investments and services.

No substantive violations of the antidiscrimination laws and regulations were identified during the examination. Review of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants. In addition, the bank has implemented training programs to prevent violations of the antidiscrimination laws and regulations.