



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

July 02, 2007

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

Bank of The Lakes, National Association  
Charter Number: 23235

12500 East 86th Street North  
Owasso, OK 74055

Office of the Comptroller of the Currency

Tulsa (eastern Oklahoma)  
7134 South Yale Executive Ctr. Bldg., 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.

## **INSTITUTION'S CRA RATING: This bank is rated Satisfactory**

Bank of the Lakes, N.A. (BOL) is responsive to the credit needs of its communities. The conclusions and assigned rating is supported by the following factors:

- The bank's loan-to-deposit ratio is good and exceeds that of similarly situated banks operating in the assessment areas.
- BOL generates a substantial majority of its loans with the defined assessment areas.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals (LMI) and small businesses.

### **SCOPE OF EXAMINATION:**

This Performance Evaluation (PE) was conducted using examination procedures tailored to small banks with total assets less than \$500 thousand. An assessment of BOL's lending performance focused on five performance criteria: (1) the loan-to-deposit ratio; (2) lending activity within each assessment area (AA); (3) lending to borrowers of different incomes and to businesses of different sizes; (4) geographic distribution of loans; and (5) record of responding to CRA related complaints.

BOL is predominantly a commercial lending institution with commercial real estate loans and other business loans comprising 85% of the total loan portfolio. Consumer loans and owner occupied residential properties represent 8% and 7% of the loan portfolio, respectively. Conclusions regarding BOL's lending performance were based on a randomly selected sample of 20 commercial (business) loans and 20 consumer loans for each assessment area. All residential real estate loans reported during 2005 and 2006 under the Home Mortgage Disclosure Act were included in this review.

The following pages further describe the bank's performance under the Community Reinvestment Act.

## DESCRIPTION OF INSTITUTION

BOL is a \$206 million community bank headquartered in Owasso, Oklahoma. It is a subsidiary of Lake Bancshares Corporation, a one-bank holding company located in Langley, Oklahoma with total assets of less than \$250 million. The bank operates all its offices within the state of Oklahoma. These include the main office, a drive-in facility, and an automated teller machine in Owasso. The bank operates branch offices in Bernice, Catoosa, Collinsville, Ketchum, Langley, and Oologah, Oklahoma. The Catoosa branch was opened in September 2006. The bank's business strategy primarily focuses on small business and commercial real estate lending, with residential real estate and consumer lending comprising only 14% of the loan portfolio. The bank's ratio of net loans and leases to deposits was 81%, as of September 30, 2007.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial & Industrial (Small Business)	\$70,030	45.47%
Commercial Real Estate	\$42,542	27.62%
Residential Real Estate	\$10,319	6.70%
Loans to Individuals (Consumer)	\$ 11,811	7.67%
Construction & Land Development	\$ 19,314	12.54%
<b>Total</b>	<b>\$154,016</b>	<b>100%</b>

*Source: Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for September 30, 2007.*

Based on its size, financial condition, product offerings, and prior performance, BOL has the ability to meet the various needs of its communities. No legal impediments or other factors impede the bank's ability to provide credit.

## DESCRIPTION OF ASSESSMENT AREA

BOL has designated two assessment areas for its seven offices in five Oklahoma counties that meet the requirements of the regulation. Each AA consists of whole geographies and does not arbitrarily exclude low-or-moderate income geographies.

### TULSA METRO ASSESSMENT AREA

The Tulsa Metro (Metro) assessment area consists of five census tracts<sup>1</sup> in Northern Tulsa County and four contiguous census tracts<sup>2</sup> in Rogers County. This assessment area is part of the Tulsa MSA and contains the bank's Owasso, Collinsville, Oologah and Catoosa offices. According to 2000 census data, the population for this area was 39,487 and the median family income was \$45,678. This assessment area had six middle income and three upper income census tracts. The population mix was 83% White, 7% American Indian, 3% Hispanic, 1% Black, and less than 1% Asian/Pacific Islander. According to housing data, there were 15,129 housing units in this area. Seventy-four percent were owner occupied, 23% were rental units, and 5% were vacant. The median housing value was \$92,793. The following table describes the demographic and economic characteristics of this assessment area.

1 Note: Census tracts 0054.00, 0058.01, 0058.04, 0058.05, and 0058.06.

2 Note: Census tracts 0504.04, 0504.07, 0504.08, and 0508.01.

<b>DEMOGRAPHIC &amp; ECONOMIC CHARACTERISTICS OF AA: METRO</b>	
Population	
Number of Families	11,224
Number of Households	14,385
Geographies	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	66.67%
% Upper-Income Census Tracts/BNA	33.33%
<i>Median Family Income (MFI)</i>	
Census 2000 MFI for AA	\$45,678
2007 HUD-Adjusted MFI	\$54,500
Economic Indicators	
June 2007 Unemployment Rate for Tulsa MSA	4.4%
2000 Median Housing Value	\$92,793
% Of Households Below Poverty Level	7.41%

**Source: Bureau of Labor Statistics; 2000 U.S. Census Data**

The local economy is diversified and includes various manufacturing, commercial, service, recreational, and agricultural enterprises. Major employers in the area include National Steak and Poultry, American Airlines, Bama Foods, Boeing, Cherokee Industrial Park, The Nordam Group, and Whirlpool. The Tulsa International Airport and the Tulsa Port of Catoosa are in close proximity to the bank’s main office in Owasso and branch in Catoosa.

**NON-METRO ASSESSMENT AREA**

The Non-Metro assessment area comprises four contiguous census tracts<sup>3</sup> in Mayes, Delaware, and Craig counties. Within this Non-Metro assessment area reside the bank’s Langley, Bernice, and Ketchum offices. According to 2000 census data, the population for this area was 15,623 and the median family income was \$35,517. This assessment area had three middle-income and one upper-income census tracts. The population mix was 75% White, 16% American Indian, 2% Hispanic, and less than 1% each Black and Asian/Pacific Islander. According to housing data, there were 12,435 housing units in this area with 44% owner occupied, 10% were rental units, and 47% were vacant. The median housing value was \$67,871. The following table describes the demographic and economic characteristics of this assessment area.

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3 Note: Census tract 0407.00 in Mayes County; census tracts 9758.00 and 9759.00 in Delaware County; and census tract 9735.00 in Craig County.

<b>DEMOGRAPHIC &amp; ECONOMIC CHARACTERISTICS OF AA: NON-METRO</b>	
Population	
Number of Families	4,777
Number of Households	6,600
Geographies	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	75%
% Upper-Income Census Tracts/BNA	25%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$35,517
2007 HUD-Adjusted MFI	\$42,600
Economic Indicators	
Unemployment Rate	5.40%
1990 Median Housing Value	\$42,810
% Of Households Below Poverty Level	14.39%

**Source: Bureau of Labor Statistics; 2000 U.S. Census Data**

### **Community Contact**

To better understand the general credit needs of citizens residing within the assessment areas, we interviewed the manager of a local non-profit organization that provides a wide variety of services to assist individuals and families who are mainly low-and-moderate income with basic necessities of life. This contact expressed that affordable housing is the predominate need in the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

- BOL's LTD ratio *exceeds the standard for satisfactory performance* given the bank's asset size, financial condition, and the credit needs of its assessment areas. Since the previous CRA evaluation in March 2003, the bank's quarterly loan-to-deposit ratio averaged close to 90%. This exceeds the 81.23% average reported by local competing financial institutions in Tulsa, Rogers, Mayes, Delaware, and Craig counties of Oklahoma. The bank has been involved in providing credit to develop the community, especially small loans to businesses.

Institution	Total Assets (As of 09/30/07)	Average LTD Ratio
First Bank of Owasso	\$183,791	91.71%
American Bank of Oklahoma, Collinsville	\$98,514	93.79%
Lakeside State Bank, Oologah	\$50,532	65.55%
The First State Bank, Ketchum	\$26,322	73.89%
<i>Bank of the Lakes, N.A.</i>	<i>\$202,300</i>	<i>89.56%</i>

Source: Consolidated Report of Condition for Insured Commercial and State-Chartered Savings Banks for September 30, 2007

### Lending in Assessment Area

BOL’s lending performance within the assessment area *meets the standard for satisfactory performance*. The table below reflects the number and dollar percentages of loans originated within and outside the assessment areas. As depicted by the tables, a majority of loans originated by BOL are to consumer and small businesses that reside within the defined assessment areas.

METRO: TOTAL LOANS REVIEWED (Evaluation Period)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	14	70.00%	\$134	64.11%	6	30.00%	\$75	35.89%
Commercial	14	70.00%	\$2,075	90.26%	6	30.00%	\$224	9.74%
Residential	22	64.71%	\$1,226	57.18%	12	35.29%	\$918	42.82%
<b>Total</b>	<b>50</b>	<b>67.57%</b>	<b>\$3,435</b>	<b>73.84%</b>	<b>24</b>	<b>32.43%</b>	<b>\$1,217</b>	<b>26.16%</b>

NON-METRO: TOTAL LOANS REVIEWED (Evaluation Period)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	13	65.00%	\$110	70.97%	7	35.00%	\$45	29.03%
Commercial	16	80.00%	\$4,670	91.89%	4	20.00%	\$412	8.11%
Residential	52	72.22%	\$4,303	84.01%	20	27.88%	\$819	15.99%
<b>Total</b>	<b>81</b>	<b>72.32%</b>	<b>\$9,083</b>	<b>87.68%</b>	<b>31</b>	<b>27.68%</b>	<b>\$1,276</b>	<b>12.32%</b>

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

BOL’s pattern of lending to borrowers of different income levels and businesses of different sizes *meets the standard for satisfactory performance*. The distribution of loans within the assessment area reflects a reasonable penetration among borrowers of different income levels and businesses of different sizes. Census information is updated annually by the Housing of Urban Development (HUD) to reflect current family income levels that are used for residential real estate and consumer loan comparison purposes.

As shown in the following tables, the lending patterns reflect good overall distribution of loans among the various income categories.

For the Metro assessment area, 27% of the residential real estate loans were made to low-income

applicants while 14% of the assessment area is comprised of low-income families. In the moderate-income category, 9% of the loans were to moderate-income families while 17% of the families in the assessment area are moderate-income.

Similar distribution patterns were present in the Non-Metro assessment area as 17% of the residential real estate loans were made to low-income applicants while 20% of the assessment area is comprised of low-income families. In the moderate-income category, 16% of the loans were to moderate-income families while 18% of the families in the assessment area are middle-income.

<b>Borrower Distribution of Residential Real Estate Loans: METRO</b>								
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	14%	27%	17%	9%	21%	18%	48%	46%

Source: Data reported under Home Mortgage Disclosure Act; U.S. 2000 Census data.

<b>Borrower Distribution of Residential Real Estate Loans: Non-METRO</b>								
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	20%	18%	18%	16%	22%	27%	40%	39%

Source: Data reported under Home Mortgage Disclosure Act; U.S. 2000 Census data.

The distribution of consumer loans in the Metro and Non-Metro assessment areas also reflects reasonable penetration among household of different income levels.

For the Metro assessment area, 40% of the loans were to low-income households while 16% of households in the assessment area are low-income. In the moderate-income category, 25% of the loans were made to moderate-income households while just 15% of the assessment area is comprised of moderate-income households.

For the Non-metro Assessment Area, 20% of the loans sampled were to low-income households while 21% of households in the assessment area are low-income. In the moderate-income category, 20% were to moderate-income households while 16% of the assessment area is comprised of moderate-income households.

<b>Borrower Distribution of Consumer Loans: METRO</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	16%	40%	15%	25%	18%	15%	51%	20%

Source: loan sample; U.S. 2000 Census data.

<b>Borrower Distribution of Consumer Loans: Non-METRO</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	21%	20.0%	16%	20%	18%	20%	44%	40%

Source: loan sample; U.S. 2000 Census data.

The distribution of business loans in the Metro and Non-Metro assessment area reflects satisfactory performance as a majority of loans both in the terms of number and dollar amount of loans were made to small businesses. Small businesses are defined as those with annual gross revenues less than \$1 million dollars.

According to revenue data that was reported during the U.S. 2000 Census in the Metro assessment area, small businesses represent 58% and 70% of the commercial loans sampled were to small businesses.

Lending to small businesses is also very good in the Non-Metro assessment area. Based on U.S. Census data, small businesses represent 43% of this assessment area and 85% of the commercial loans sampled were to small businesses. The bank participates in government guaranty lending programs with the Small Business Administration

<b>Borrower Distribution of Loans to Businesses: METRO</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	58%	5%
% of Bank Loans in AA by #	70%	30%
% of Bank Loans in AA by \$	84%	16%

Source: Loan sample; Dunn and Bradstreet Data. 37% of AA businesses did not report revenue for 2000 Census.

<b>Borrower Distribution of Loans to Businesses: Non-METRO</b>		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	43%	2%
% of Bank Loans in AA by #	85%	15%
% of Bank Loans in AA by \$	77%	23%

*Source: Loan sample; Dunn and Bradstreet Data. 55% of AA businesses did not report revenue for 2000 Census.*

**Geographic Distribution of Loans**

We did not perform the analysis of the geographic distribution of loans as neither of the bank’s assessment areas contains low- or moderate-income census tracts.

**Qualified Investments and Community Development Services (Optional)**

Management did not request that we review investment and services.

**Responses to Complaints**

Management has not received any written complaints since the March 10, 2003 performance evaluation.

**Compliance with Fair Lending Laws and Regulations**

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