



Comptroller of the Currency
Administrator of National Banks

Small Bank Examination Procedures
were used to conduct this examination

PUBLIC DISCLOSURE

April 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The State National Bank of Eufaula
Charter Number 10833**

**102 North Main
Eufaula, Oklahoma 74432-2426**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394**

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 CRA performance of **The State National Bank of Eufaula, Eufaula, Oklahoma**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 23, 1998**. 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.

Consistent with its resources and capabilities, and in a reasonable manner, The State National Bank of Eufaula is meeting the credit needs of its assessment area, including the needs of low- and moderate-income individuals.

The following table indicates the performance level of **The State National Bank of Eufaula** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	State National Bank 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 State National Bank of Eufaula (State National Bank) has one office headquartered in Eufaula, Oklahoma. The bank is a subsidiary of SNB Bancshares, Inc., a \$8,562,000 locally-owned bank holding company. The main bank is located at 102 North Main in Eufaula, Oklahoma. A drive-in facility, which opened in November 1997, is located at 1st and Pine Streets in Eufaula. Automated Teller Machine (ATM) services are available in three locations in Eufaula: the main bank at 102 North Main Street, Doyle's Food Market at 402 South Main Street and Nichols Super Thrift Grocery at 2nd and Pine Streets. State National Bank's primary focus is to serve commercial, agricultural, and consumer customers in Eufaula and the surrounding communities of Checotah, Stidham, Canadian, and Porum. State National Bank meets these needs by providing various loan and deposit products as well as other financial services.

As of December 31, 1997, State National Bank's total assets equaled \$62,286,000, of which \$18,436,000, or 29.14 percent, were composed of various types of loans to individuals and businesses. The \$18,436,000 in loans and leases outstanding consisted of \$8,714,000 in consumer loans (47.27 percent), \$5,209,000 in real estate loans, (28.25 percent), \$2,576,000 in agricultural loans (13.97 percent), and \$1,859,000 in commercial loans (10.08 percent).

There are no known factors which have or may potentially impede State National Bank's ability to meet the credit needs of its assessment area.

The last Community Reinvestment Act examination was performed on State National Bank was in September 1994. The bank was rated "Satisfactory."

DESCRIPTION OF THE ASSESSMENT AREA:

The assessment area adopted by State National Bank's Board of Directors meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The assessment area is described as follows:

The State National Bank of Eufaula Assessment Area

The assessment area encompasses the ten contiguous census tracts surrounding and including Eufaula, Oklahoma. Geographically, Eufaula is a peninsula, with Lake Eufaula surrounding virtually three sides of the community. Other communities in the assessment area, which surround Eufaula, include Checotah, Stidham, Canadian, and Porum. These communities are located in portions of Haskell, McIntosh, Muskogee, and Pittsburgh

counties. State National Bank’s main bank, drive-in facility, and Automated Teller Machines are located in Census Tract #9802.

The adopted assessment area is justified by the following internally generated statistics. For all loans on the books at April 6, 1998, 75.89 percent were made within the assessment area. This represented 79.74 percent of the total loan dollars outstanding at that time.

Based on 1990 census data, the United States Census Bureau identifies two of the ten census tracts as moderate income. These are census tracts #9801 and #0015. Census tract #9801 encompasses the western section of Eufaula, and Stidham, a community approximately 9 miles Northwest of Eufaula in McIntosh County. Census tract #0015 encompasses Porum, a community located approximately 9 miles northeast of Eufaula, in Haskell County. Eight of the census tracts are identified as middle income tracts. These are census tracts #9796, #9798, #9799, #9803, #9802, #9856, #9793, #9858.

United States Census Bureau information as of 1990 reflected a total population of 27,813 in the ten census tracts within the assessment area. The area contained 16,872 housing units with 8,670 or 51 percent owner occupied. Additionally, there were 8,259 families and 10,661 households in the area. Sixty-one percent of the households derive their income from wages or salaries. The largest providers of wages and salaries were government, manufacturing, farming, and construction related entities. Per the 1990 census, a breakdown of households and families within the assessment area, according to income level, is set out in the following table:

Description	Low Income (< 50% of Median)	Moderate Income (50-80% of Median)	Middle Income (80-120% of Median)	Upper Income (> 120% of Median)
% of Households	28.46%	16.94%	18.19%	36.38%
% of Families	27.11%	19.58%	21.58%	31.76%

1990 census median family income for the assessment area was \$20,448. The median household income for the assessment area was \$17,240. Census median income for non-MSA locations in the state of Oklahoma was \$24,139, which was updated to \$30,800 in 1997.

The city of Eufaula is also served by branch locations of one other bank headquartered in Tulsa, Oklahoma, and a federal savings bank headquartered in Fort Smith, Arkansas.

Four finance companies are also located in the city of Eufaula. A total of twenty banks are located in McIntosh County and the six contiguous counties surrounding McIntosh County (Pittsburgh, Hughes, Okfuskee, Okmulgee, Muskogee, and Haskell).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, State National Bank's performance in meeting the credit needs of its assessment areas is satisfactory, consistent with available resources and capabilities.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is considered reasonable and meets standards for satisfactory performance given the institution's size, geographic location and financial condition. The average loan-to-deposit ratio from December 31, 1994 through March 31, 1998 was 36.91 percent. The ratio as of March 31, 1998 was 37.10 percent. The low ratio for the period was 34.40 at December 31, 1994. The high ratio for the period was 38.48 percent at December 31, 1996.

State National Bank's ratio compares less than favorable to the average loan-to-deposit ratio for the twenty (20) banks in McIntosh County and the six contiguous counties to Eufaula. As of December 31, 1997, these 20 banks had loan-to-deposit ratios ranging from 38.20 percent to 79.88 percent with the average ratio representing 58.22 percent.

The bank's assessment area is surrounded by Lake Eufaula and is largely considered a retirement community. The bank's lower than average loan-to-deposit ratio is primarily a result of a low demand for large commercial credit products and a high demand for small consumer loans and deposit services. The following statistics reflect the financial needs of households, families, and industries within the assessment area and support why the bank's lower than average loan-to-deposit ratio is considered reasonable:

- According to the 1990 US Census, there are few large industries in the assessment area. Within the area, there were a total of 412 farm and nonfarm business establishments. Businesses hiring less than five people represented 285 or 69 percent of the total businesses within the assessment area. The US Census also concluded that within the assessment area, unemployed labor and civilians not in the workforce, represented 43 percent of the population.
- According to the US Census, 19 percent of the population within the assessment area are over age 65 and 21 percent of the households are retired. Of the households, 24 percent in the assessment area are below poverty level.
- The US Census indicates that of the families living within the assessment area,

27.11 percent were low-income and 19.58 percent were moderate-income.

State National Bank's loan portfolio is comprised largely of small consumer loans. The number of consumer loans in the loan portfolio on April 6, 1998 totaled 2,003. The number of consumer loans as a percentage of the total number of loans in the bank's portfolio (2,447) is a very favorable 81.86 percent. The average size of consumer loans in the portfolio is \$4,000. The average loan size is considered reasonable for the assessment area, which encompasses two moderate income tracts and eight middle income tracts.

State National Bank's deposit base is comprised of a large volume of retired account holders. The deposit base includes 5,514 demand and savings accounts. The number of account holders receiving some form of retirement pay is approximately 1,700 or 31 percent of the total number of demand and savings accounts as of April 1, 1998.

Lending in the Assessment Area

A majority of extended credit is within the assessment area. To analyze lending distribution within the assessment area, the bank periodically performs a loan distribution analysis. As of April 6, 1998, the bank's internal analysis reflects the following results:

Loan Data	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
Total Loans (2,447 loans for \$17,386,368)	75.89%	24.11%	79.74%	20.26%
Consumer Loans (2,003 loans for \$8,846,548)	75.84%	24.16%	79.26%	20.74%
Commercial Loans (94 loans for \$1,802,913)	63.83%	36.17%	53.46%	46.54%
Agricultural Loans (209 loans for \$1,799,525)	73.21%	26.79%	71.40%	28.60%
Real Estate Loans (145 loans for \$4,892,777)	86.21%	13.79%	94.09%	5.91%

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

Distribution of loans to borrowers among various income levels as well as to small farms and businesses is more than reasonable. A sample of 46 consumer and residential loans was reviewed to determine income distribution within the assessment area. This analysis determined the following:

Loan Data	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (46)	34.78%	30.43%	21.74%	15.22%
Dollar of Loans (\$956,238)	15.18%	13.34%	29.85%	42.71%

The level of lending to small businesses and small farms was calculated as of March 17, 1997. The analysis revealed that 93 percent of the bank's total commercial loan portfolio was extended to either small farms or businesses.

Geographic Distribution of Loans

The geographic distribution of a sample of loans reflects a reasonable dispersion of credit throughout the assessment area. The addresses of a sample of 23 residential loans were compared to census tract maps for the assessment area. Of the 23 residential loans, all were within the bank's assessment area. Seven or 30.43 percent of the 23 residential loans were to individuals in the two moderate income census tracts (# 9801 and #15).

Response to Complaints

No complaints concerning the CRA have been received since the last examination.

Fair Lending Practices

No practices were noted which were intended to discourage types of credit offered. Management solicits credit applications from all segments of the community. Our review revealed substantial compliance with all the provisions of the antidiscrimination laws and regulations. The board and management have developed adequate policies, procedures, and training programs to prevent discriminatory and/or illegal credit practices.