



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 9, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**National Bank Of Sallisaw
Charter Number 15750**

**100-114 E. Choctaw
Sallisaw, OK 74955**

**Comptroller of the Currency
Little Rock Field Office
10201 West Markham, Suite 105
Little Rock, AR 72205**

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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INSTITUTION'S CRA RATING: This bank is rated Satisfactory

Based on this evaluation, National Bank of Sallisaw (NBS) has a satisfactory record of meeting the credit needs of its assessment area. This is demonstrated by the following:

- The average loan-to-deposit ratio of 64% is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of the bank's loans are within its assessment area.
- The distribution of loans to borrowers and businesses of different incomes reflects reasonable penetration.
- The geographic distribution of loans within its assessment area is reasonable.

DESCRIPTION OF INSTITUTION

NBS is located in Sequoyah County (east central Oklahoma) with branches in the cities of Sallisaw and Roland. The Roland branch is under construction and is expected to open before the end of the fourth quarter of 2001. NBS offers a full range of traditional loan and deposit products and services. Most lending activity is conducted at the main office in Sallisaw. All locations are easily accessible to the public and the bank's ATM's are operational at all times.

NBS's performance under the CRA was rated satisfactory at the previous evaluation as of August 4, 1997.

As of June 30, 2001 total assets were approximately \$76 million. NBS is owned by First Bank Corp of Fort Smith, AR. Based on NBS's financial performance, there are no impediments that would limit the bank's ability to meet the credit needs of its assessment area. As the table below indicates, the bank's loan portfolio has a large volume of commercial loans. These include a large volume of loans to finance nursing home operations in Oklahoma, Arkansas, and Texas. As compared to its peer group, the bank also has a high volume of consumer loans.

Loan Category	\$ (000)	%
Commercial Real Estate Loans	\$16,095	32
Commercial Loans	\$24,143	48
Residential Real Estate Loans	\$1,006	2
Consumer Loans	\$9,053	18
Total	\$50,297	100

DESCRIPTION OF SEQUOYAH COUNTY

NBS has identified all of Sequoyah County as its assessment area for the purposes of the CRA. According to the 1990 Census, the total population for the county was 33,828. Sequoyah County contains seven Census Tracts/Block Numbering Areas. Based on 1990 Census data, six of these tracts are middle income and one tract (0302.01) is moderate income. The assessment area, as selected by the bank, includes whole geographies and is appropriate given the bank's size and distribution system. Three other financial institutions have a significant presence in Sequoyah County, with branches in both the cities of Sallisaw and Roland.

The bank's assessment area is located in east central Oklahoma and is considered to be generally rural. The local economy is considered to be stable with no significant growth anticipated. Blue Ribbon Downs race track is located in Sallisaw and is responsible for a large service industry that includes motels and restaurants. Other large employers in the area includes: Borg Warner (electric motor manufacturer), Tuscorora (package product manufacturer), Indian Capital Area Vo-Tech, and Global (lime processing). The city of Roland is considered a bedroom community of Ft. Smith, AR., and as a result, the population has access to expanded employment opportunities.

A community contact interview was conducted with a local city official during the evaluation. The contact indicated that the primary lending needs within the assessment area are home loans, small business/farm loans, and consumer loans. The official indicated that affordable housing is available for the low- and moderate-income population.

The table on the following page reflects demographic data for the assessment area and is derived from the 1990 Census. Income and unemployment data was obtained from government agencies from their most recent reports.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	9,647
Number of Households	12,349
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	14%
% Middle-Income Census Tracts/BNA	86%
% Upper-Income Census Tracts/BNA	0
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$26,404
2000 HUD-Adjusted MFI	\$37,700
2001 HUD-Adjusted MFI	\$39,100
<i>Economic Indicators</i>	
Unemployment Rate (as of July 2001)	
Sequoyah County	3.8%
US	4.5%
1990 Median Housing Value	\$37,091
% of Households Below Poverty Level	26%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

NBS's loan-to-deposit ratio is reasonable given its size, financial condition, and assessment area credit needs. In order to compare the bank's level of lending to other financial institutions in the assessment area, it was necessary to select a similarly situated bank that compares to the bank's size, lending philosophy, and financial condition. Based on this criteria, First National Bank of Sallisaw was selected. The loan-to-deposit ratio stated below is derived by calculating the quarterly average since the bank's prior CRA examination in 1997.

Institution	Assets (as of June 30, 2001)	Average LTD Ratio
First National Bank of Sallisaw	\$146 Million	64%
National Bank of Sallisaw	\$76 Million	64%

Lending in Assessment Area

A majority of NBS loans are to customers within the bank's assessment area. All of the following loans were originated since June 1999. Bank records contain sufficient information to determine if loans are granted to customers located in or out of the bank's assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Real Estate	106	100	4,418	100	0	0	0	0
Consumer	1,008	89	6,648	88	128	11	883	12
Commercial	224	79	21,569	57	60	21	16,224	43
Total	1,338	88	32,635	66	188	12	17,107	34

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

The distribution of loans to borrowers and businesses of different incomes reflects a reasonable penetration when compared to Census data. A total of 106 1-4 family residential real-estate, 20 consumer auto, and 20 business loans, originated since June 1999, were sampled to determine borrower income levels. Census income information is updated by HUD annually to reflect current family income levels and used for residential real estate and consumer loan comparisons. Income information for businesses was derived from the 1990 Census and will not be updated until the 2000 Census results are released. The table below reflects the distribution of 1-4 family residential, consumer, and business loans within the bank's assessment area.

1-4 FAMILY RESIDENTIAL REAL-ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families (Census)	29%		21%		19%		31%	
Bank Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	8%	3%	26%	17%	30%	28%	37%	52%

CONSUMER AUTO LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households (Census)	32%		17%		18%		33%	
Bank Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	50%	35%	30%	47%	15%	17%	5%	1%

DISTRIBUTION OF LOANS TO BUSINESSES OF DIFFERENT SIZES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	94%	6%
% of Bank Loans in AA #	76%	24%
% of Bank Loans in AA \$	52%	48%

Geographic Distribution of Loans

The geographic distribution of loans to borrowers and businesses reflects a reasonable penetration when compared to Census data. An analysis for geographic distribution was necessary since one of the Census tracts (0302.02) in the bank's assessment area is moderate income. A total 106 1-4 residential real-estate, 20 consumer auto, and 20 business loans, originated since June 1999, were sampled to determine their geographic distribution within the bank's assessment area. Census information was derived from the 1990 Census and will not be updated until the 2000 Census results are released. The table below reflects the distribution of loans within the bank's assessment area.

1-4 FAMILY RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families (Census)	0		13		87		0	
Bank Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0	0	15	13	85	87	0	0

CONSUMER AUTO LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households (Census)	0		14		86		0	
Bank Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Total	0	0	0	0	100	100	0	0

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses (Census)	0		16%		84%		0	
Bank Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	0	0	10%	2%	90%	98%	0	0

Responses to Complaints

NBS has not received any formal CRA complaints since the prior CRA examination in 1997. The bank's CRA public file contains all required public disclosures.

Fair Lending Review

An analysis of recent 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. No substantive violations of fair lending laws and regulations were detected at that time.