

PUBLIC DISCLOSURE

November 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**SpiritBank, N.A.
Charter Number: 10849
4815 South Harvard, Suite 100
Tulsa, Oklahoma 74135**

**Office of the Comptroller of the Currency
Tulsa Field Office
7134 South Yale, Suite 910
Tulsa, Oklahoma 74136**

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 **Spirit Bank, N.A., Tulsa, Oklahoma**, prepared by **The Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 29, 1999**. 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: The evaluation period for the bank was from May 1996 through October 1999. The institution is rated **Outstanding** based on:

- The bank has maintained an excellent loan-to-deposit ratio, averaging 67% over the evaluation period. This compares to an average of 59% for five peer group banks in the same assessment area. The bank's ratio was 78% on September 30, 1999.
- The bank has an impressive record of community development lending.
- The bank lends to individuals of all income levels as indicated by the fact that 60% of consumer loans and 42% of home mortgage loans were made to low- and moderate-income (LMI) individuals.
- The bank is committed to lending to small businesses as evidenced by the fact that 77% of commercial loans made in their assessment area were to small businesses.
- The majority of consumer, small business and farm, and home mortgage loans are made within the bank's assessment area.

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

DESCRIPTION OF INSTITUTION

SpiritBank, N.A. (SpiritBank) is a \$305 million independent bank with its main office in Tulsa, Oklahoma. The bank, which is owned by American National Bancorporation, Inc., in Bristow, operates eight branches in the communities of Bristow, Cushing, Depew, Drumright, Oilton, Sapulpa, Stroud, and Tulsa. SpiritBank also has a loan production office (LPO) in Oklahoma City. The LPO is not included in this evaluation. SpiritBank has five proprietary ATM's, included in the Transfund network, located at the Bristow, Cushing, Drumright, Sapulpa, and Tulsa branches.

Net loans represent 66% of total assets at September 30, 1999. The bank's primary loan product types are consumer, home purchase and refinance, and commercial loans as evidenced by the number and dollar amount of originations over the evaluation period. These are the products on which we focused our review. On September 30, 1999, these categories represented approximately 72% of the bank's loan portfolio in dollars. The following table reflects the breakdown of loan originations:

Loan Originations 5/96 through 10/99	% Originations by Dollar Amount	% Originations by Number
Consumer	16.7%	66.4%
Home Purchase	9.0%	5.7%
Home Refinance	9.5%	5.8%
Commercial	48.4%	15.1%

SOURCE: Consumer and Commercial figures taken from bank prepared reports. Home Purchase and Refinance from HMDA data.

The area economy is stable; primarily supported by agriculture, diversified industrial manufacturing, oil and gas, and aerospace. Based on its financial condition and size, product offerings, and prior performance, SpiritBank 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.

The bank was last evaluated for performance under the CRA, utilizing the "small bank" procedures by the OCC in May 1996, and received a CRA rating of **Outstanding** at that time.

DESCRIPTION OF BANK'S ASSESSMENT AREA

SpiritBank initially designated its assessment area as the census tracts that outline the city limits of Bristow, Cushing, Depew, Drumright, Oilton, Sapulpa, and census tracts surrounding its Tulsa branch. During the previous evaluation, the assessment area was expanded to include all of Creek County, all tracts in the city limits of Tulsa, and the

two tracts in the Cushing area. Since the last evaluation, the census tract surrounding the Stroud branch has now been added to the bank's assessment area. The Bristow, Depew, Drumright, Oilton, and Sapulpa communities are all located in Creek County, which is part of the Tulsa Metropolitan Statistical Area (MSA). The city of Cushing is located in Payne County, Stroud is located in Lincoln County, and neither is part of the Tulsa MSA. Adjusting the assessment area was appropriate because it is now more representative of the bank's actual lending activity. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income tracts.

The assessment area consists of 151 tracts and serves a population of approximately 501,000 (1990 U.S. Census). Of the 151 census tracts served, 11 (7%) are low, 41 (27%) are moderate, 60 (40%) are middle, and 39 (26%) are upper-income tracts. 1998 U.S. Census data indicates the average median family income for the entire assessment area was \$43,481.

This table reflects the income distribution of *families* living in the assessment area:

Income Level	Number of Families	Percentage
Low Income	28,641	20.99%
Moderate Income	23,848	17.47%
Middle Income	28,827	21.12%
Upper Income	55,159	40.42%
Totals	136,475	100.00%

Source: 1990 U.S. Census Data

According to available housing data, there are 230,228 housing units in the bank's assessment area, of which 54% are owner-occupied, 34% are rental occupied units, and 11% are vacant. The median year built is 1965, with a median value of \$63,258. The overall economy is strong and the 1998 unemployment rate in the assessment area averaged 3.1%.

Our visit with a local city official indicated SpiritBank offers a variety of loan products to meet community credit needs. Favorable comments were provided on the good job the bank is doing in meeting the credit needs of the community and providing assistance to small businesses. SpiritBank is viewed as a leader regarding economic development and new programs to assist in meeting the credit needs of the community, including low-moderate income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

The bank has an excellent loan-to-deposit ratio given its asset size, financial condition, and known credit needs of the assessment area. Credit needs are primarily for residential real estate, small commercial, and consumer loans. Since the last CRA examination in May 1996, SpiritBank's quarterly loan-to-deposit ratio has averaged 67%. This ratio exceeds the combined average of 59% reported by five peer group banks in the assessment area. The average loan-to-deposit ratio for these five banks was 50%, 50%, 52%, 63%, and 79%. SpiritBank's loan-to-deposit ratio has steadily increased since the last evaluation. Its ratio has ranged from a low of 58% at June 30, 1996, to approximately 78% on September 30, 1999.

The bank has also been active in Community Development lending. Examples include:

- Greenwood Chamber of Commerce - SpiritBank participated in a \$10,000 loan to provide for business start-ups in LMI areas of Tulsa.
- Cleophius Douglas - Loan of \$15,608 for remodeling apartments located in LMI areas in Tulsa.
- Kermit Thomas - SpiritBank participated in a loan of \$35,000 to a minority builder for construction of homes to revitalize Brady Heights, a low-income area of Tulsa. This is the first new construction in over sixty years in this area.
- Phillip Koenig - Multiple loans totaling \$172,000 for the purchase of apartments in LMI areas of Tulsa.

Additionally, SpiritBank has committed to subscribing to a \$1,000,000 investment in MetaFund Community Development Corporation (MCDC). This is a proposed Community Development Corporation, that will make application to become a certified Community Development Financial Institution (CDFI). MCDC's purpose is to deliver economic and community development services to both non-profit and for-profit entities. The services include loans for single and multi-family housing, small business loans, loans and assistance to microenterprises, venture capital, and training. It is anticipated that the designation will be obtained before June 30, 2000, and that the subscription may be called upon after January 3, 2000.

Lending in Assessment Area

As indicated in the following table, the majority of the bank's loans are made within the assessment area. Our review reflects that the number of loans originated within the assessment area were 75% of consumer, 77% of home mortgage, and 65% of commercial loans. The dollar amount of loans made within the assessment area were

72% of consumer, 74% of home mortgage, and 64% of commercial loans. Home mortgage loans include all home purchase, home improvement, home refinance and multifamily loans. This indicates the bank is committed to its local communities and takes an active role in meeting credit needs.

Type of Loan	Sample	Loans In AA	Loans out of AA	% Loans in AA
Consumer	20	15	5	75%
Home Mortgage*	1607	1230	377	77%
Commercial	20	13	7	65%

* From HMDA disclosure reports for the period of May 1996 through October 1999.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's loan portfolio reflects a very good distribution among individuals of various income levels and businesses of different sizes. As illustrated in the following table, the bank consistently lends to all applicants regardless of their income category. Based on our review of lending within the assessment area, approximately 20% of consumer and 21% of home mortgage loans are to low-income individuals, and approximately 40% of consumer and 21% of home mortgage loans are to moderate-income individuals. Demographic data reflects that 21% of the families in the assessment area are low-income and 17.5% are moderate-income.

Income Level	Consumer Loans	Home Mortgage Loans	% Families in Assessment Area
Low Income	20.0%	21.0%	21.0%
Moderate Income	40.0%	20.9%	17.5%
Middle Income	26.7%	23.4%	21.1%
Upper Income	13.3%	34.7%	40.4%
Total	100.0%	100.0%	100.0%

Source: Sample of 20 consumer loans and all HMDA loans originated within the Assessment Area (1230 loans).

Additionally, 77% of our sample of the commercial loans within the assessment area were to small businesses. Small business is defined as a business with gross annual revenues less than \$1,000,000. This is comparable to the demographic for the assessment area that reflects 87% of all businesses are considered small business.

Geographic Distribution of Loans

The bank is doing a satisfactory job of disbursing loans throughout different income level geographies within the assessment area. The following table represents the distribution of loans by number and dollar amount to low- and moderate-income geographies:

Loan Originations	Low-Income Geographies in Assessment Area		Moderate-Income Geographies in Assessment Area	
	Number	Dollar Amt	Number	Dollar Amt
<i>Demographic</i>				
Consumer	0	0	13.3%	10.4%
<i>Total Families</i>	4.7%		21.7%	
Home Mortgage	.4%	.5%	47.6%	28.9%
<i>Owner-Occupied Housing</i>	3.5%		20.5%	
Small Business	0	0	23.1%	20.4%
<i>Number of Small Businesses</i>	3.3%		24.2%	

SOURCE: Consumer and small business loan data are each from a random sample of 20 loans, home mortgage data is from HMDA LAR.

The lack of consumer and small business lending in the low-income tracts is mitigated by the small number of families and small businesses located within these tracts, and the relatively small size of our sample. An impressive statistic is that almost 48% of the bank's home mortgage loans are in moderate-income tracts compared to the level of owner-occupied housing in these tracts at 20.5%.

Through our review of addresses and zip codes, it is reasonable to conclude that no LMI tracts in the assessment area were arbitrarily omitted from lending.

Response to Complaints

SpiritBank has had no complaints regarding the bank's performance under the Community Reinvestment Act.

Record of Compliance with Antidiscrimination Laws

A fair lending examination was conducted as part of a compliance examination of SpiritBank. The bank is in compliance with the substantive provisions of the Antidiscrimination laws and regulations. No fair lending violations were identified.