



PUBLIC DISCLOSURE

October 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**EDMOND BANK & TRUST
RSSD# 2700322**

**2600 SOUTH BROADWAY
EDMOND, OKLAHOMA 73013**

**Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198**

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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GENERAL INFORMATION

The Community Reinvestment Act 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 each 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 Edmond Bank & Trust, Edmond, Oklahoma, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of October 12, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

Definitions for many of the terms used in this performance evaluation can be found in Section 228.12 of Regulation BB. For additional convenience, a "Glossary of Common CRA Terms" is attached at the end of this performance evaluation.

INSTITUTION'S CRA RATING: *This institution is rated **Satisfactory***

The bank has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income families, in a manner consistent with its resources, capabilities and operating philosophies. The bank's loan-to-deposit ratio exceeds those of its competitors and the state peer. A majority of the bank's loans are originated within its assessment area. In addition, the distribution of loans among borrowers of different income levels and businesses of different sizes reflects a reasonable dispersion. Although the geographic distribution of business loans appears weak, the geographic distribution of residential real estate loans is reasonable based on assessment area demographics.

DESCRIPTION OF INSTITUTION

Edmond Bank & Trust (EBT) is located in Edmond, Oklahoma, a suburb on the northern city limits of Oklahoma City, in Oklahoma County. Edmond Bank & Trust became a member of the Federal Reserve System effective September 13, 1999, and opened for business as a de novo bank on September 17, 1999. The bank's main office and one branch, which was opened in October 2003, are both located in Edmond, Oklahoma.

Based on its financial condition, size, and credit offerings, the bank has the ability to meet the credit needs of its assessment area. According to the bank's June 30, 2004 Consolidated Report of Condition and Income (Call Report), the bank's assets totaled \$67,183M; of which net loans comprised \$63,556M or 94.6 percent. As illustrated in Table 1, the bank is considered primarily a real estate and commercial lender. However, the bank offers a variety of

other products and services in order to meet the credit and banking needs of the assessment area. Table 1 illustrates the bank's loan portfolio composition as a percentage of gross loans.

Table 1 Loan Portfolio June 30, 2004 Call Report		
Loan Type	Amount (\$000)	Percent of Total
Commercial	44,270	69
1-to 4-Family Real Estate	15,027	24
Consumer	2,516	4
Other	1,131	2
Agricultural	732	1
Total Loans	63,676	100

The bank also sells residential real estate loans to the secondary market that are not accounted for in the bank's loan portfolio. Since the last examination, September 1, 2000 through September 30, 2004, the bank originated 801 residential real estate loans totaling \$138,437M that were sold to the secondary market.

No legal or financial factors exist that would hinder the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

EBT's assessment area consists of 24 census tracts in the northern half of Oklahoma County. The assessment area encompasses the entire city of Edmond, the communities of Arcadia and Luther, and northern parts of Oklahoma City. Of the 24 census tracts in the assessment area, 3 are moderate-income, 4 are middle-income, and 17 are upper-income tracts. All of the census tracts are within the Oklahoma City Metropolitan Statistical Area (MSA). The bank has two facilities both located in upper-income tracts.

According to 2000 census data, the total population of the assessment area was 97,351. The population of the assessment area has increased by 30,000 or 46 percent from the 1990 Census to the 2000 Census. Based on 2000 data from the Chamber of Commerce, more than 43 percent of Edmond residents have at least a college degree and a median household income of \$53,800 which is 61.7 percent higher than the state of Oklahoma. The rapid growth of Edmond coupled with the affluent nature of the residents has provided banks with increased lending opportunities.

Based on 2000 census data, the assessment area is an upper-income area with no low income tracts and only three moderate income tracts. The assessment area includes 26,564 families, of which 10 percent are designated low-income, 10.5 percent are moderate-income, 17.8 percent are middle-income, and 61.7 percent are upper-income. The assessment area's

percentage of low- and moderate-income families is significantly lower than both the MSA and state. The percentage of low-income families in the MSA and state were 20 percent, whereas, the percentage of moderate-income families in the MSA and state were both 18 percent. In addition, the percentage of families living below the poverty level in the assessment area was significantly less at 4.5 percent compared to both the MSA and state at 10 percent and 11 percent, respectively. The lower comparable percentage of low- and moderate-income families in the assessment area is reflective of a more affluent community.

Edmond has been a “bedroom” community of Oklahoma City in past years, and even though many residents still commute to Oklahoma City for employment, business has grown substantially in the last ten years to provide retail facilities for a growing population. Unemployment remains consistently lower in the assessment area than in the MSA or statewide areas. The 2000 census data indicates that the assessment area has a 2.8 percent unemployment rate compared with a 5.2 percent for the state and a 4.7 percent rate for the MSA. The three largest employers in Edmond are the University of Central Oklahoma, the Edmond Public Schools, and the City of Edmond.

The majority of the housing in the assessment area is owner-occupied. In 2000, the bank’s assessment area contained a higher concentration of single-family, owner-occupied housing units than the state or MSA. The percentage of owner-occupied housing was 69.6 percent in the assessment area; 59.3 percent for the MSA; and, 60.6 percent for the state. The assessment area’s affordability ratio¹ is 43 percent compared to the statewide ratio of 49 percent and the MSA ratio of 48 percent. In addition, the median housing value in the assessment area is high at \$120.9M, while the median housing value is \$67.7M for the state and \$76.6M for the MSA. The housing stock in the assessment area is significantly newer than the MSA and state as indicated by the assessment area’s median age of housing at 16 years compared to the MSA and the state at 28 years. The more expensive housing is indicative of the newness of the housing stock, along with the demand for more expensive housing by a more affluent population. In addition, there is a demand for affordable rental housing in the assessment area, due largely to the student population at the local university. Only 8.8 percent of rental units are priced under \$350 per month in the assessment area compared to 15.7 percent and 22.1 percent, respectively for the MSA and state.

¹ The affordability ratio is calculated by taking the median household income/median housing value, the higher the ratio the more affordable the housing.

Additional assessment area characteristics based on 2000 census data are summarized in Table 2.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,649	10.0
Moderate-income	3	12.5	1,756	6.6	344	19.6	2,791	10.5
Middle-income	4	16.7	3,594	13.5	320	8.9	4,725	17.8
Upper-income	17	70.8	21,214	79.9	534	2.5	16,399	61.7
Total Assessment Area	24	100.0	26,564	100.0	1,198	4.5	26,564	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,530	976	3.7	27.6	2,298	65.1	256	7.3
Middle-income	5,949	3,196	12.2	53.7	2,432	40.9	321	5.4
Upper-income	28,114	21,985	84.1	78.2	4,784	17.0	1,345	4.8
Total Assessment Area	37,593	26,157	100.0	69.6	9,514	25.3	1,922	5.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	421	14.1	365	14.3	44	12.0	12	15.4
Middle-income	516	17.2	444	17.4	57	15.6	15	19.2
Upper-income	2,058	68.7	1,742	68.3	265	72.4	51	65.4
Total Assessment Area	2,995	100.0	2,551	100.0	366	100.0	78	100.0
Percentage of Total Businesses:				85.2		12.2		2.6

Based on 2000 census information.
Based on 2003 Dun & Bradstreet Information according to 2004 census boundaries.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. These factors include: a review of the bank's level of lending in relation to its deposits and that of other comparable financial institutions; analysis of the penetration of loan originations inside and outside of the bank's defined assessment area; the bank's record of lending to borrowers of different income levels and to businesses of various sizes; and the distribution of lending in the bank's assessment area by income level of geographies. In addition, two local community members were contacted to obtain information about the community's credit needs and to confirm that the products and services offered by the bank adequately met those needs. The

bank has not received any complaints concerning its CRA activities or performance since the opening of the bank on September 17, 1999. Therefore, the bank's responsiveness to CRA complaints was not included in the evaluation.

Loan-to-Deposit Ratio

The bank's average net loan-to-deposit ratio (LTD) of 110.1 percent, calculated by averaging the previous eight quarters beginning September 30, 2002, is considered strong. Edmond Bank & Trust's LTD compared favorably to that of six similarly-situated competitor banks, whose LTDs ranged from 64.5 percent to 104.4 percent over the same period. In addition, the bank's LTD exceeded that of its state peer group at 74.1 percent. The bank's peer group consists of all insured commercial banks having assets between \$50 and \$100 million, with more than one banking office and located in a metropolitan area. Given the institution's size, local economic conditions, and credit demand, the average LTD is considered more than reasonable.

Lending in the Assessment Area

A majority of the bank's lending occurs inside its assessment area, based upon an analysis of the bank's residential real estate and commercial loans. A sample of the commercial loans and 100 percent of the bank's HMDA loans revealed that 69.2 percent and 56.5 percent, respectively, of these loans were located within the assessment area. Of the total loans sampled, 61.1 percent of the loans were originated inside the bank's assessment area. Table 3 details the percentage of loans, by number and dollar amount, originated inside the bank's assessment area.

Table 3								
Lending Inside and Outside the Assessment Areas								
	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000s)	%
Home Purchase	12	52.2	1,727	56.8	11	47.8	1,311	43.2
Home Improvement	1	100	62	100	0	0.0	0	0.0
Refinancing	13	59.1	2,738	60.3	9	40.9	1,803	39.7
Total Residential Real Estate	26	56.5	4,527	59.2	20	43.5	3,114	40.8
Total Small Business-Related	18	69.2	3,306	58.1	8	30.8	2,383	41.9
TOTAL LOANS	44	61.1	7,833	58.8	28	38.9	5,497	41.2

Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes

The distribution of borrowers reflects an adequate penetration among individuals of different income levels and to small businesses. The bank's distribution of loans among individuals of different income levels is reasonable when analyzed in terms of the demographics of the assessment area and, particularly, of the more immediate Edmond area. The bank has made reasonable efforts to make credit available to low- and moderate-income borrowers.

Residential Real Estate Lending

Based on assessment area demographics, the bank's distribution of real estate loans represents a reasonable penetration among individuals of different income levels. The analysis focused on the number of loans originated, rather than the dollar volume, as it is a better indicator of the number of people benefiting from these products. Table 4 illustrates the percentage of EBT's loans made to each income level compared to the percentage of families in the assessment area that are designated as low-, moderate-, middle-, and upper-income.

Table 4								
Borrower Distribution: HMDA Loans								
Assessment Area	Low Income Borrowers		Moderate Income Borrowers		Middle Income Borrowers		Upper Income Borrowers	
	% Families*	% Bank Loans	% Families*	% Bank Loans	% Families*	% Bank Loans	% Families*	% Bank Loans
Edmond Bank & Trust	10.0	3.8	10.5	7.7	17.8	26.9	61.7	61.5
* Percentage of Families is based on the 2000 Census information Area median family income of \$52,200 is based on the 2004 HUD estimated median family income.								

The bank's lending to low- and moderate-income borrowers is considered reasonable within the context of the assessment area demographics. The 2000 census data indicated that while 10.0 percent of the assessment area families were considered low-income; 4.5 percent of those families were below the poverty level and are less likely to be economically viable candidates for housing loans. The effective loan demand for residential real estate loans from individuals below the poverty level is typically reduced, which impacts the level of lending to lower-income borrowers.

In addition, lending opportunities for low-income borrowers have been limited. Sixty-four percent of the housing stock in the assessment area has a value of \$100M or more, and 28 percent of the housing stock is valued from \$60M to \$100M. Therefore, 92 percent of the entire housing stock in the bank's assessment area is valued above \$60M. A large portion of the existing affordable housing stock is rentals due to the high demand for rental property caused by the local university population.

Other factors also contribute to the bank's lack of residential loans to low-income borrowers. The majority of the bank's loans were made within the Edmond city limits, an upper-income residential area with little industrial or agricultural activity. The three moderate-income tracts in the city are located in the old central business district that encompasses the University of Central Oklahoma. Therefore, these census tracts have a relatively high population of students, a group that does not traditionally generate a high loan volume.

The bank generated only 3.8 percent of residential real estate loans to low-income borrowers and 7.7 percent to moderate-income borrowers. These percentages are low compared with the percentage of the low-income borrowers of 10.0 percent and 10.5 percent of moderate-income borrowers within the assessment area. However, due to the limited supply of lower-cost homes

in the bank's assessment area, the bank's lending to borrowers of different income levels is adequate.

Commercial Lending

The bank's distribution of loans reflects reasonable penetration of loans to small businesses. A review of 18 commercial loans in the bank's assessment area revealed that 15 (83.3 percent) of the loans were made to small businesses with gross annual revenues of less than \$1 million. In addition, 44.4 percent of these loans were for loan amounts of \$100M or less, loan amounts typically requested by small businesses. The bank has demonstrated its willingness to lend to businesses of all sizes, but finds that nearly all lending opportunities in the Edmond area involve small businesses. The bank is satisfactorily meeting the need for small business credit in its assessment area.

Table 5 illustrates the bank's lending activity by percentage of loans by number and dollar amount.

Table 5 BORROWER DISTRIBUTION: SMALL LOANS TO BUSINESSES					
Assessment Area	Businesses With Revenues of \$1 Million or Less		Loans by Original Amount Regardless of Business Size		
	% of Businesses*	% Bank Loans	\$100,000 or Less	>\$100,000 to \$250,000	>\$250,000 to \$1 Million
Edmond Bank & Trust	85.2	83.3	44.4	22.2	33.3
* Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B – 2003)					

Distribution of Loans Among Geographies of Different Income Levels

The distribution of the bank's loans by income level of the geography reflects a generally reasonable dispersion throughout the assessment area, considering the bank's location in the affluent Edmond area, general area demographics, and the location of competitor institutions in closer proximity to the moderate-income tracts.

Residential Real Estate Lending

The bank's assessment area is largely comprised of middle- and upper-income census tracts. Only three of the bank's census tracts are moderate-income, while four are middle-income, and seventeen are upper-income, representing 12.5 percent, 16.6 percent, and 70.8 percent, respectively, of the total assessment area geographies. Although the bank has not generated any loans in the moderate income tracts during 2004, census data reflects that only 12.8 percent of the assessment area families live in the moderate-income tracts, and only 3.7 percent of the homes in the moderate-income tracts are owner-occupied. Based upon fewer lending opportunities and little demand for owner-occupied residential real estate loans

in the moderate-income tracts, the lack of residential real estate loans in these tracts is considered reasonable.

Commercial Lending

According to the 2003 Dunn & Bradstreet data, only 14 percent of the businesses in the assessment area are located in the three moderate-income tracts. Although there were no small business loan originations in the moderate-income tracts, 22 percent and 78 percent were originated in the middle- and upper-income tracts, respectively. The bank has had few commercial lending opportunities in the moderate-income tracts. Three other well-established competitor banks, located in closer proximity to one of the moderate-income tracts, serve the credit needs in the area. These factors affect the geographic distribution of business loans which reflects a weak penetration in the moderate-income census tracts

COMPLIANCE WITH THE ANTIDISCRIMINATION LAWS AND REGULATIONS

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. Furthermore, a review of bank policies, credit applications, loans and denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Block Numbering Areas (BNAs) – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract or a block numbering area.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

Low-Income – Less than 50 percent of the area median income

Moderate-Income – At least 50 percent and less than 80 percent of the area median income

Middle-Income – At least 80 percent and less than 120 percent of the area median income

Upper-Income – At least 120 percent or more of the area median income

Metropolitan Statistical Area (MSA) - The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Business Loan – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”