



PUBLIC DISCLOSURE

November 16, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Citizens Bank of Tulsa
Tulsa, Oklahoma

2500 West Edison
Tulsa, Oklahoma 74127

FEDERAL RESERVE BANK OF KANSAS CITY
925 Grand Boulevard
Kansas City, Missouri 64198

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 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 Citizens Bank of Tulsa, Tulsa, Oklahoma, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of November 16, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate- income neighborhoods, in a manner consistent with its resources and capabilities. The rating of the bank was assessed under the following five core criteria developed for evaluating CRA performances of small banks:

- Loan-to-Deposit Ratio
- Lending Inside the Assessment Area
- Lending to Borrowers of Different Income Levels and Businesses of Different Sizes
- Geographic Distribution of Loans
- Record of Responding to Complaints About the Bank's CRA Performance

Conclusions for each performance criteria were based on data compiled from a statistically derived sample of files reviewed for each major product line.

The analysis shows that the loan-to-deposit ratio of the bank is more than reasonable and that a majority of the bank's loans originated within the assessment area defined by the bank as its primary trade area. Within the assessment area, the distribution of loans by borrower income level reflects a reasonable penetration among individuals of different income levels and businesses of different revenue sizes. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank has not received any complaints about its performance under the CRA and, consequently, an analysis of its response to CRA complaints was not performed.

The bank's performance under the CRA was last evaluated as of August 26, 1996 at which time it was assessed as "outstanding".

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The assessment area (AA) of the bank includes Tulsa County, which is located in the northwestern portion of Oklahoma, along with, portions of Osage, Creek, Rogers, and Wagoner Counties. Tulsa County is bordered to the northwest by Osage County, southwest by Creek County, northeast by Rogers County, and southeast by Wagoner County. The Citizens Bank of Tulsa is located in the city of Tulsa in Tulsa County. According to 1990 census data, the population of the AA was 628,313. Updated 1997 population figures indicate an increase to 761,488.

The AA consists of the Tulsa Metropolitan Area as defined by the Office of Management and Budget. The AA includes 100 percent of the 158 census tracts of Tulsa County, 4 of 10 tracts in Osage County, 7 of 15 tracts in Creek County, 10 of 14 tracts of Wagoner County, and 7 of 10 tracts of Rogers County. The AA includes 13 low-income, 41 moderate-income, 82 middle-income, and 50 upper-income census tracts. Within the bank's AA, the bank competes with 15 financial institutions.

DESCRIPTION OF THE INSTITUTION

Citizens Bank of Tulsa's financial condition and size allow it to meet the various credit needs of its community. According to the September 30, 1998 Consolidated Reports of Condition and Income (Call Report), the assets of the bank totaled \$238,022M, of which loans constituted \$169,361M or 71 percent. The bank operates out of two locations. The main office, which is the original office, is located in proximity to downtown Tulsa on 2500 West Edison. The branch is located in the southern portion of the metropolitan area at 5120 South Garnett. A proposed branch, expected to open next year, will be located south of the branch. The lobbies are open every day except Sunday at 9:00 a.m. and close at 4:00 p.m. Monday through Thursday, 6:15 p.m. on Friday, and 12:00 p.m. on Saturday. The drive-through facilities are open every weekday from 7:30 a.m. to 6:15 p.m. and Saturday from 9:00 a.m. to 12:00 p.m. The bank has one Automated Teller Machine (ATM) located at the branch. Management states that the bank's lending strategy is to meet the major credit needs of the community. Accordingly, the bank offers a variety of loan products to meet those credit needs. The bank is active in commercial, consumer and real estate lending.

As noted in *Table 1*, commercial loans are the bank's primary loan product. Including real estate loans secured by nonfarm, nonresidential properties, construction and development, and multifamily residential properties, commercial loans account for 80 percent of the bank's loan portfolio.

TABLE 1		
DISTRIBUTION OF LOANS IN THE LOAN PORTFOLIO AS OF		
SEPTEMBER 30, 1998		
Type of Loan	Amount (In Thousands)	Percentage of Total Loans
Commercial loans	62,258	37
Loans Secured by Real Estate:		
Secured by nonfarm, nonresidential properties	52,338	31
Construction and land development	17,165	10
Loans secured by 1- to 4-family residential properties	10,409	6
Secured by junior liens	1,777	1
Secured by multifamily (5 or more) residential properties	1,064	<1
Consumer loans	23,315	14
Agriculture loans	30	<1
TOTAL	169,361	100

Table 2 shows general economic and demographic characteristics of the AA.

TABLE 2						
BANK ASSESSMENT AREA CHARACTERISTICS						
Tract Summary						
Total Number of Tracts					186	
Number of Low-Income Tracts					13	
Number of Moderate-Income Tracts					41	
Number of Middle-Income Tracts					82	
Number of Upper-Income Tracts					50	
Income Summary						
Assessment Area By Geographies						
	Low-income	Moderate-income	Middle-income	Upper-Income	AA	State
Median Family Income	\$13,753	\$22,240	\$32,474	\$50,368	\$33,770	\$28,554
				Assessment Area		State
Percent of Low-Income Families ¹			19.2		21.0	
Percent of Moderate-Income Families ²			17.1		17.6	
Percent of Middle-Income Families ³			22.1		21.5	
Percent of Upper-Income Families ⁴			41.6		39.9	
Unemployment Summary						
Labor Force Population (Assessment Area) Unemployed					18,135	
Percent Unemployment (Assessment Area)					5.6	
Percent of Unemployment (State)					6.7	
Miscellaneous Information						
Total Population (Assessment Area)					628,313	
Percent of Families Below Poverty					9.6	
Minority Population					17.8	
Total Housing Units					275,845	
Percentage Owner-Occupied Units to Total Units					57.3	
Percentage Rental Units to Total Units					32.2	
Percentage Vacant Units to Total Units					10.5	
Median Housing Value: Assessment Area					\$60,542	
MSA					\$58,521	
State					\$47,643	

¹ Less than 50 percent of the median family income
² At least 50 percent and less than 80 percent of the median family income
³ At least 80 percent and less than 120 percent of the median family income
⁴ 120 percent or more of the median family income

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The loan-to-deposit ratio is one way of measuring the extent to which the bank is reinvesting deposits it receives from customers back into the community in the form of loans. For the five quarters ending September 30, 1998, the bank's average loan-to-deposit ratio was 78 percent. By comparison, five similarly situated banks within the AA had an average loan-to-deposit ratio of 69 percent. The bank's average loan-to-deposit ratio also significantly exceeds the 68.31 percent average ratio for its national peer group and the 63.07 percent average ratio for all banks in the Tulsa MSA between \$100-300 million in assets. The bank experienced a 20 percent increase in deposits and a 17 percent increase in loans from September 30, 1997 to September 30, 1998.

Lending in Assessment Area

The bank's performance in lending within the AA is based on data compiled from a statistically derived sample of loan files. To evaluate the bank's lending activity, statistical samples of three major loan products were analyzed, including commercial, real estate and motor vehicle.

As shown in *Table 3*, a majority of loans were originated inside the AA. *Table 3* illustrates, by general product type, the largest percentage of loans by number and dollars. Based on the 226 loans sampled, 90 percent of the total number and 84 percent of the dollar volume of loans were within the AA.

TABLE 3								
DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	\$ Amount of Loans	%	Number of Loans	%	\$ Amount of Loans	%
<i>Commercial</i>	53	82	4,025	80	12	18	1,023	20
<i>Home Purchase</i>	19	95	1,768	83	1	5	375	17
<i>Home Improvement</i>	50	96	620	98	2	4	13	2
<i>Refinance</i>	14	93	712	94	1	7	48	6
<i>Motor Vehicle</i>	67	91	749	90	7	9	80	10
Total	203	90	7,874	84	23	10	1,539	16

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

This performance criterion evaluates the percentage of loans made to borrowers of different income levels, particularly low- and moderate-income individuals, and businesses and farms of different sizes within the AA. As shown in *Table 4*, loans are reasonably distributed among businesses of different sizes. *Table 4* indicates that 68 percent of the total number of business loans were to businesses with gross annual revenues of less than \$1MM and approximately 55 percent to businesses with less than \$500M in gross annual revenues. This distribution indicates a reasonable penetration among businesses and particularly to support small-revenue businesses, which is consistent with the composition of the AA's business sector and the stated focus of bank management. The bank's primary product is commercial lending. According to an economist at the Metropolitan Tulsa Chamber of Commerce, Tulsa is among the top ten cities in the U.S. for both new business growth and residential building permits. Many of the homes being built are upper-end priced homes purchased by individuals with higher incomes who work in high tech companies.

One hundred percent or eighty-seven loans from 1998 Home Mortgage Disclosure Act (HMDA) home purchase, home improvement and refinance loans were used in the sample. Ten of the eighty-seven loans could not be used in the analysis because income information was not available. The sample indicates relatively low home purchase loan originations to low- and moderate-income borrowers and in the low- and moderate-income census tracts, as evidenced in *Table 5*. However, overall a relatively low number of real estate loans were originated in 1998 by the bank, which supports the bank's position that commercial loans, not real estate loans, are its primary focus.

As in many cities, low- and moderate-income individuals have difficulty qualifying for conventional loans since the wages have not increased commensurately with the price of homes. In Tulsa, the average cost of a home was reported to be \$115,750. By comparison, low- and moderate-income median family incomes were equal to or less than \$17,000 and \$27,000, respectively. There is reasonable penetration of home improvement loans to individuals of different income levels, including low- and moderate-income levels as indicated by this sample. Home improvement loans can be used to improve older and more affordable homes in the bank's AA. In addition, there is a reasonable penetration of motor vehicle loans to individuals of different income levels.

<i>TABLE 4</i>				
LENDING TO BUSINESSES OF DIFFERENT SIZES WITHIN THE ASSESSMENT AREA				
Annual Revenue	Number of Loans	Percent Of Number	Dollar Amount	Percent Of Dollars
	Less than \$100,000	10	15	426,144
Greater than or equal to \$100,000 but less than \$250,000	13	19	2,036,265	2
Greater than or equal to \$250,000 but less than \$500,000	14	21	5,331,440	7
Greater than or equal to \$500,000 but less than \$750,000	3	4	1,949,759	2
Greater than \$750,000 but less than \$1,000,000	6	9	5,087,507	6
Greater than \$1,000,000	22	32	67,425,854	82

<i>TABLE 5</i>								
DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	% of #	% of \$	% of #	% of \$	% of #	% of \$	% of #	% of \$
<i>Home Purchase</i>	0	0	0	0	11	2	47	64
<i>Home Improvement</i>	14	6	18	9	32	17	34	68
<i>Refinance</i>	0	0	14	7	21	26	57	61
<i>Motor Vehicle</i>	10	5	10	10	24	16	55	69
<i>Percentage of Families by Income per Census Data</i>	19%		17%		22%		42%	

Geographic Distribution of Loans

This performance criterion focuses on the bank's loan dispersion among low-, moderate-, middle-, and upper-income census tracts. The geographic distribution of loans is summarized in *Table 6*. The bank's distribution of loans by income level of geography appears reasonable compared to the percentages of households that are families within the AA.

For reasons discussed in the "Lending to Borrower of Different Incomes" performance category, there were fewer loans in the low- and moderate-income census tracts than in the middle- and upper-income census tracts. However, the bank's lending appears to match the demographic profile of the metropolitan area. The majority of the bank's loan growth has been generated at the branch rather than the main office. The branch office is located in the southern part of the metropolitan area, which is the fastest growing area for commercial and residential loans. Conversely, the main office is located in proximity to downtown and the low- and moderate-income census tracts. *Table 7* indicates population in each of the income tracts within each county in the AA. As indicated in *Table 7*, Tulsa County has the highest concentration of population in the AA at 80 percent. A majority of the population in Tulsa County is located in middle- and upper-income census tracts.

TABLE 6								
DISTRIBUTION OF LOANS WITHIN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL OF GEOGRAPHY								
	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	% of #	% of \$	% of #	% of \$	% of #	% of \$	% of #	% of \$
<i>Commercial</i>	4	1	32	40	42	41	23	19
<i>Home Purchase</i>	5	2	21	17	32	23	42	57
<i>Home Improvement</i>	2	2	18	6	58	53	22	40
<i>Refinance</i>	0	0	0	0	50	55	50	45
<i>Motor Vehicle</i>	2	1	12	12	54	52	33	36
<i>Percentage Households that are Families in the AA</i>	4%		17%		52%		28%	

TABLE 7						
ASSESSMENT AREA POPULATION AND CENSUS TRACTS						
BY INCOME LEVEL OF GEOGRAPHY						
	Tracts	Population	Low- Income	Moderate- Income	Middle- Income	Upper- Income
<i>Tulsa County</i>	158	503,341	28,350	105,799	223,229	145,963
			6%	21%	44%	29%
<i>Osage County</i>	4	41,645	0	0	14,696	2,626
			NA	NA	35%	6%
<i>Creek County</i>	7	60,915	0	2,590	30,729	0
			NA	4%	50%	0
<i>Wagoner County</i>	10	47,883	0	1,902	19,018	10,441
			NA	4%	40%	22%
<i>Rogers County</i>	7	55,170	0	0	35,260	7,710
			NA	NA	64%	14%

Response to Complaints

The bank has not received any complaints about its performance in meeting assessment area credit needs. Therefore, no assessment was made of the bank's record of responding to complaints about its CRA performance.

Compliance with Antidiscrimination Laws and Regulations

No patterns or practices were noted that resulted in discrimination against any protected classes.

Qualified Investments and Services

The bank's qualified investments and community development services also were considered in the examination to determine if they would enhance the bank's overall rating. A qualified investment is a lawful investment, deposit, membership share, or grant that has

as its primary purpose community development. A community development service is defined as a service that has as its primary purpose community development and is related to the provision of financial services. The term community development refers to: affordable housing for low- or moderate-income individuals; community services that target low- or moderate-income individuals; activities that promote economic development by financing small businesses or farms; and, activities that revitalize or stabilize low- or moderate-income geographies.

The bank's qualified investments and community development services were determined to enhance credit availability in its assessment area. The bank is involved with Project Get-Together. This was a tax credit program to finance a 40-unit, low-income apartment complex on Sheridan and 31st Street in Tulsa. Tax credits were sold to investors with the bank financing the remaining balance at a low fixed rate. The current balance of the bank's loan is \$272,036. In addition, several individuals in the bank provide technical expertise to low- and moderate-income individuals. Shirley Witt, manager at the main office, has taught classes one day a week for six weeks to residents of the Edison Apartment Complex, a senior citizens' housing complex subsidized by HUD. The purpose of the class is to train individuals to maintain and balance their checking accounts. Also, Charlotte Haley, a customer service representative, has been a volunteer in the VITA program in 1997 and 1998. This is an IRS program which provides tax preparation and information to individuals from February to April. Ms. Haley stated that approximately 80 percent of the individuals using her services were low-income individuals. Also, the bank provides free checking accounts with no minimum balance for low- and moderate-income individuals.

The bank also participates in the Oklahoma Small Business Linked Deposit Program. Under this program, the State Treasurer will deposit funds in the bank at a favorable rate, which can be passed on to the borrower in the form of a lower interest rate. The program allows companies to save jobs as a result of a lower interest rate loan. The program also allows companies to create jobs as a result of decisions made to expand or restructure operations using the lower interest rates. The institution has funded approximately \$450,000 in loans under this program.

The bank participates with four Certified Development Corporations (CDCs), including the Tulsa Economic Development Corporation (TEDC); the Tulsa Chamber of Commerce; Verdarka Development Corporation; and, Rural Enterprises, Inc. These CDCs package Small Business Administration (SBA) 504 Program Loans for financial institutions. The SBA funds 40 percent of the loan and takes a second mortgage position. It requires the creation of one job for every \$35,000 of the guaranteed amount. The bank also participates in the SBA 7A loan program where the SBA provides a guaranty for credit enhancement. In addition, the bank participates in the Business and Industrial Division of the USDA. The USDA will provide an 80 percent guaranty on loans to businesses in rural communities. The bank has produced approximately \$15,000,000 in loans under these programs.