

The Condition of Depository Financial Institutions in Oklahoma

By W. Gary Simpson*

I. Purpose of the Investigation

The Board of Governors of the Federal Reserve System recently released the results of the Supervisory Capital Assessment Program, commonly referred to as “stress tests”, for all domestic bank holding companies with year-end 2008 assets exceeding \$100 billion. These results indicate some of the nation’s largest financial companies need to raise additional capital or receive additional injections of funds from the U. S. Treasury. This information has received extensive coverage in the press and may raise questions in the minds of ordinary people about the safety and soundness of their local financial institutions. The purpose of this investigation is to provide an in-depth analysis of the financial condition of the depository financial institutions in Oklahoma. The ultimate conclusion of the research is good news because the vast majority of the depository financial institutions in Oklahoma are safe and sound.

II. Nature of the Investigation

This analysis is unique because it covers commercial banks, savings banks, and credit unions. No single regulatory body or trade association provides information on all of the depository institutions in Oklahoma in one place. The Federal Reserve System, Office of the Comptroller of the Currency of the U. S. Treasury, Federal Deposit Insurance Corporation, and the Oklahoma State Banking Department are responsible for supervising commercial banks in Oklahoma. The Office of Thrift Supervision is the regulator for savings banks and the National Credit Union Administration oversees credit unions. These regulators conduct on-site examinations of the financial institutions under their jurisdiction and this is a very valuable service for the customers of these institutions and the general public. This research does not replace or duplicate the examination process which has direct access to private information compiled by financial institutions. However, the information obtained from examinations is not publicly available and is used primarily for internal supervision purposes. This research provides in-depth analysis of the information that is made publically available by the aforementioned regulatory bodies so that the general public can understand the financial condition of their financial institutions.

The present investigation is totally different from the “stress tests” performed under the Supervisory Capital Assessment Program and should not be confused with that process. The “stress tests” are different in two main ways. First, the “stress tests” are forward looking based on consensus economic forecasts. Second, the Supervisory Capital Assessment Program

* Professor of Finance and Oklahoma Bankers Association Chair of Commercial Bank Management at Oklahoma State University, Stillwater, OK. E-mail – gary.simpson@okstate.edu. Telephone – (405)744-8638.

evaluated private information obtained from the financial companies included in the program to assess the probability of losses under two economic scenarios.

This investigation is based on an analysis of publicly available data obtained from the Federal Deposit Insurance Corporation and the National Credit Union Administration as of year-end 2008. The data for commercial banks was extracted from Uniform Bank Performance Reports prepared by the Federal Financial Institutions Examination Council and the information for savings banks was taken from the Statistics for Depository Institutions (SDI) system. All of this data is available at the FDIC web-site - <http://www.fdic.gov>. The data for credit unions was extracted from Financial Performance Reports and Statements of Financial Condition obtained from the National Credit Union Association web-site - <http://www.ncua.gov>.

The present investigation is unique because each individual depository institution in Oklahoma was analyzed separately. Averages and other summarizing measures are used in the discussion but the heart of the analysis is an institution by institution analysis to assess the condition of every financial institution with a home office in Oklahoma. There were 248 commercial banks, 5 savings banks, and 78 credit unions in the state at the end of 2008 for a total of 331 depository institutions. An individual analysis of each institution permits the investigator to better understand the condition of each institution as well as the overall condition of the depository financial institutions industry in Oklahoma. Averages and aggregates can hide outliers and unique trends at times. The analysis is also unique because it concentrates on financial institutions in Oklahoma.

It is important to remember that this analysis covers only federally insured depository financial institutions which means that mutual funds, pension funds, insurance companies, brokerage firms, governmental organizations, and investment banks are not a part of the analysis. In the current environment, the term “bank” is used generically to refer to almost any type of financial firm or organization. As a result, the term is almost meaningless and its popular use has led to substantial confusion. The present discussion is careful to identify the exact nature of the entity being discussed and the only institutions covered are federally insured commercial banks, savings banks, and credit unions. Some of the institutions may be a subsidiary of a bank holding company but the analysis centers on the specific institution not the bank holding company. The analysis does not cover Oklahoma branches of out-of-state bank holding companies and financial institutions.

III. Structure of the Analysis

The ultimate goal of this research was to assess the safety and soundness of the depository financial institutions in Oklahoma. To this end, the capital adequacy of the institutions received major emphasis. Capital is the cushion or buffer between losses and insolvency. The stronger the capital position of a financial institution, the lower the risk of

insolvency and ceasing to exist as a going concern.¹ Simply measuring capital is not sufficient to understand the soundness of the institution. The investigator must also assess the probability and magnitude of losses that will reduce the value of assets and, through the balance sheet equation, destroy capital. When the capital of an institution is gone, the liabilities are greater than the assets and the institution is dead. The institution must go out of existence or, by some means, keep enough cash coming in to operate “zombie-like” until the ultimate reality occurs. The largest and most significant losses experienced by financial institutions very often occur due to defaults on loans or securities. Past due loans are one of the best available indicators of potential future losses. The amount of capital relative to potential losses is the central metric for safety and soundness developed in this investigation. Various measures of capital, potential losses, and the relationship of the two were employed.

Profitability is an indicator of organizational vitality and profitability helps to build capital through retention of earnings. Safe and sound institutions must not only avoid losses but must also cover expenses and earn a return for stakeholders. The analysis of profitability, the composition of assets, and the sources of funding were also employed to evaluate safety and soundness.

In the context of the CAMELS regulatory rating², the information that is publicly available dictates that in this analysis primary emphasis be placed on capital, assets, and earnings. Management is a critical factor but it can only be observed indirectly by comparing performance to peer groups and measuring performance over time. On-site examinations have the advantage of detailed knowledge of management but this information is not publicly available for obvious reasons. Sensitivity to market risk was considered in this analysis by observing depreciation in the securities portfolio and comparing it to capital. Asset-liability repricing mismatches and liquidity were not considered major factors in safety and soundness in the current environment.

IV. The Financial Condition of Commercial Banks in Oklahoma

Table 1 provides a list of the ratios that were collected for commercial banks and the measures of central tendency for these ratios. Summary measures must be taken with caution as was previously discussed. The starting point of the analysis is the level of capital held by Oklahoma commercial banks.

¹ Nationwide, a total of 32 commercial banks and savings banks have failed in 2009 as of May 1 and a total of 25 commercial banks and savings banks failed in 2008 (Source: FDIC Home Page). None of these institutions were in Oklahoma.

² CAMELS is an acronym for a federal regulatory evaluation system of safety and soundness which is based on Capital adequacy, Asset quality, Management, Earnings performance, Liquidity, and Sensitivity to market risk.

**Table 1: Condition of Oklahoma Commercial Banks
As of December 31, 2008**

	Mean	Median	75 th Percent	25 th Percent
Profitability:				
Return On Assets	0.81%	0.93%	1.28%	0.59%
Return On Equity	11.25%	12.02%	17.39%	6.87%
Capital:				
Leverage Capital	10.19%	9.13%	11.13%	8.02%
Risk Based Capital	16.04%	13.22%	18.07%	11.08%
Loans:				
Total Loans to Total Assets	61.18%	63.93%	76.62%	46.26%
Non-Current (90 days) Loans to Loans	1.77%	0.95%	2.30%	0.39%
Non-Current (30 days) Loans to Loans	3.37%	2.62%	4.33%	1.26%
Provisions for Loan Losses to Assets	0.37%	0.21%	0.43%	0.07%
Troubled Assets to Capital	11.35%	5.65%	13.64%	1.59%
Non-Current Loans to Allowance	131.85%	90.52%	172.53%	30.22%
Non-Current Loans to Equity Capital	12.80%	5.81%	14.12%	2.01%
Mortgage Loans in Foreclosure	0.23%	0.00%	0.00%	0.00%
Securities:				
Depreciation in High Risk Securities	-0.01%	0.00%	0.00%	0.00%
Depreciation in Held to Maturity Sec.	-0.13%	0.00%	0.02%	0.00%
Funding:				
Brokered Deposits to Total Deposits	3.73%	0.00%	2.73%	0.00%

Definition of Ratios:

Return on Assets = Net Income adjusted for Sub S Status/ Average Total Assets
Return on Equity = Net Income adjusted for Sub S Status/ Total Equity Capital
Leverage Capital = Tier One Leverage Capital/Adjusted Average Assets
Risk Based Capital = Tier One Risk Based Capital/Risk Weighted Assets
Total Loans to Total Assets = Net Loans and Leases/Average Total Assets
Non-Current Loans (90 days) to Loans = Total Loans 90 days or more past due + Non-accrual Loans/
Gross Loans and Leases
Non-Current Loans (30 days) to Loans = Total loans 30 days or more past due + Non-accrual Loans/
Gross Loans and Leases
Provisions for Loan Losses to Assets = Total Provisions for possible loan losses/Average Total Assets
Troubled Assets to Capital = Non-accrual Loans + Restructured Loans 30 or more days past due +
Other Real Estate Owned/Total Equity Capital + Allowance for Loan Losses
Non-Current Loans to Allowance = Total loans 90 days or more past due + Non-accrual loans/
Allowance for Loan Losses
Non-Current Loans to Equity Capital = Total loans 90 days or more past due + Non-accrual loans/
Total Equity Capital
Mortgage Loans in Foreclosure = Loans secured by 1-4 family real estate in foreclosure/
Total loans secured by 1-4 family real estate
Depreciation in High Risk Securities = Fair market value of high risk mortgage securities + structured
notes – total book value of all investment securities/Total Book Value of All Investment Securities
Depreciation in Held to Maturity Sec. = Total market value of all held to maturity securities – total
book value of all investment securities/Total Equity Capital
Brokered Deposits to Total Deposits = Deposits acquired from brokers and dealers for the account
of others /Total Deposits

Definition of Measures of Central Tendency:

Mean = Sum of all of the values for the ratio/the number of banks in Oklahoma (248)

(This value can be distorted by a few very large or small values in the distribution.)

Median = middle value in the distribution of the ratio

(50% of the values are above this value and 50% are below this value.)

75th Percent = 75th percentile for the distribution of the ratio

(75 percent of the values in the distribution lie below this value.)

25th Percent = 25th percentile for the distribution of the ratio

(25 percent of the values in the distribution lie below this value.)

50 percent of all of the values for the ratio will fall between the 75th percentile and the 25th percentile.

Capital

Minimum regulatory standard for Risk Based Capital is 6% and Leverage Capital is 5%. On average, Oklahoma banks are very well capitalized with median Risk Based Capital of 13.22% and Leverage Capital 9.13%. Every commercial bank in Oklahoma meets the 6% standard for Risk Based Capital and only two commercial banks out of 248 were lower than 8%. Only one commercial bank out of 248 did not meet the 5% standard for Leverage Capital and only two commercial banks out of 248 had a Leverage Capital ratio below 6%. The 25th percentile column in Table 1 shows that 75% of all commercial banks in Oklahoma had a Leverage Ratio above 8.02% compared to the regulatory minimum of 5%. Oklahoma commercial banks had exceptionally high levels of capital at the end of 2008, especially when compared to national and world financial conditions.

Potential Loan Losses

Loans that are 90 days or more past due and loans that have been placed on a non-accrual basis have a high probability of resulting in losses to the institution. The ratio of non-current (90 days) loans to loans is a good (not perfect) predictor of future losses. In aggregate, the average non-current (90 days) loans to loans ratio for all commercial banks in Oklahoma was 1.77% and the median was 0.95%. This means that if all of the loans in Oklahoma banks that were 90 days or more past due and non-accruing loans became losses (an unlikely event), the aggregate loan portfolio of the 248 commercial banks would lose approximately 1-2% of its value. If a very strict measure of past due (30 days) is used, the potential aggregate losses would still only be approximately 3% of the loan portfolio. However, the real issue is what is happening in each individual commercial bank. Forty-two banks out of 248 commercial banks have a non-current (90 days) loans to loans ratio of 3% or higher. This means that 83% of the commercial banks have a non-current (90 days) loans to loans ratio of 3% or lower. The 25th percentile column in Table 1 indicates that 25% of the commercial banks in Oklahoma have a non-current loan ratio of 0.39% or less. Unfortunately, there are a few commercial banks that had significant potential losses in their loan portfolios. Twenty commercial banks had 5% or more of their loan portfolios 90 days or more past due or non-accruing. Two banks had very substantial problems with one bank reporting 31.65% of its loan portfolio 90 days past due or non-accruing and the other reporting 12.99% for the same ratio. However, given the current state of the economy a few

institutions would be expected to face difficulties and the vast majority of commercial banks have sound loan portfolios.

Capital Relative to Potential Loan Losses

The critical issue for bank solvency is the amount of capital a bank has relative to its potential future losses. The ratio of non-current loans (90 days) plus non-accruing loans to total equity capital is probably the best measure available in the Uniform Bank Performance Report to capture safety and soundness of a commercial bank. If this ratio is higher than 50%, the bank is in a precarious position. A bank with a ratio of 50% or more has a significantly increased risk of insolvency or the need for the injection of additional capital. In the aggregate, Oklahoma commercial banks were not close to this critical level of 50% with the average being 12.80% and the median only 5.81%. Seventy-five percent of the banks in Oklahoma were below 14.12%. Six commercial banks out of 248 banks had a non-current loans to equity capital ratio above 50%. One of these commercial banks has very serious problems.³ Six more banks were in the 40% to 50% range. However, it is very important to note that a huge majority of the commercial banks in Oklahoma have strong capital positions to cover potential loan losses.

The ratio of troubled assets to capital provides additional information on the ability of a commercial bank to meet losses out of capital. Troubled assets include non-accrual loans, restructured loans that are 30 days or more past-due, and repossessed real estate. All of these assets have a much higher probability of producing losses based on their present condition and history. The allowance for loan losses is added to equity capital in this ratio because the allowance is available to meet losses as is equity capital. In the aggregate, Oklahoma banks had an average troubled assets to capital ratio of 11.35% and a median of 5.65% for the same ratio. Seventy-five percent of the commercial banks in Oklahoma are below 13.64%. Nine commercial banks in Oklahoma had troubled assets to capital ratios in excess of 50% and 31 more had ratios between 20% and 50%. The composition of the banks reporting high troubled assets to capital ratios changed some compared to those banks reporting high non-current loans to equity capital ratios but the two ratios identified about the same set of troubled banks. Overall, the vast majority of commercial banks are safe and sound based on this ratio.

Commercial banks normally do not expect to charge loan losses to equity capital accounts and instead use the allowance for loan losses which is capital that has been segregated by management specifically to meet potential losses. Commercial banks add capital to the allowance by charging the expense item provision for loan losses. The ratio of non-current loans to allowance is an indication of the ability of an institution to meet loan losses by normal means without increased provisions. A ratio higher than 200% is an indication that the commercial bank will not be able to meet losses without additional provisions for the allowance. Fifty-four commercial banks had a ratio of 200% or higher and 13 of these had a ratio of 400% or more. The average for this ratio was 131.85% and the median was 90.52%. This is an indication that

³ Obviously regulatory authorities are well aware of the problems in this bank. Some resolution will probably occur in the near future. The bank has been identified in press reports and has a very low rating from the for-profit commercial rating agency BauerFinancial.

many Oklahoma commercial banks are facing higher loan losses than anticipated. Given the state of the economy, this is not surprising.

The analysis of capital and potential losses suggests that almost all commercial banks in Oklahoma are safe and sound. (Appendix 1 provides some of the most important ratios for each commercial bank in Oklahoma.) Approximately 10 commercial banks have significant problems. This is about 4% of the total 248 commercial banks.

Potential Losses on Securities

Given the discussion of losses related to mortgage-backed securities in the popular press, a question concerning exposure of commercial banks to losses in the securities portfolio is a legitimate question.⁴ The ratio of the amount of decline in market value of high risk mortgage securities plus structured notes to the book value of all investment securities is the best available metric to answer this question. Most commercial banks did not own any high risk securities. Only 12 institutions had any depreciation in high risk securities and 10 of the 12 had less than 1% depreciation. The other two had approximately 3%.

Only 19 commercial banks reported any depreciation in the value of their held to maturity portfolio. Ten of these banks had less than 1% decline in value. However, one commercial bank had a decline in value of the held to maturity portfolio equal to 80.98% of total equity capital. This is a serious level of risk exposure for the institution. A less serious, but significant, decline in value of the held to maturity security portfolio of 36.57% relative to equity capital was reported by another commercial bank. These two institutions are the only instances of problems in the securities portfolios of Oklahoma banks located in this analysis.

Mortgage Loan Foreclosures

Similar to the coverage of losses on mortgage-backed securities, a legitimate question may arise concerning the extent of mortgage foreclosures by commercial banks. One hundred and eighty-eight commercial banks in Oklahoma reported no foreclosures on 1-4 family real estate loans, 40 institutions had 1% or less of their 1-4 family real estate loans in foreclosure, and 13 institutions had between 1 and 2% of their 1-4 family real estate loans in foreclosure. Only 6 institutions had more than 2% of their 1-4 family real estate loans in foreclosure. One commercial bank had 9.39% of its mortgage loans in foreclosure but this was by the far the exception. In summary, commercial banks in Oklahoma had minimal mortgage loan foreclosures.⁵

Brokered Deposits

Commercial banks sometimes acquire deposits from outside the market area by arranging deposits through brokers that direct funds to the bank. In general, there is nothing wrong with the practice. However, high levels of brokered deposits have been observed by regulators in problem institutions and brokered deposits are used as a marker by regulators. Only 34

⁴ Historically, almost all of the serious losses experienced by Oklahoma commercial banks have been the result of loans.

⁵ Bank holding companies often have mortgage subsidiaries but any foreclosures from these companies would not be considered in this analysis because only the commercial banking subsidiaries are a part of this analysis.

commercial banks obtained 10% or more of their deposits through brokers. Of this 34 institutions, 20 acquired between 10% and 20% of their deposits through brokers. Five of the 34 commercial banks acquired sizeable proportions of their deposits through brokers. One had a ratio of brokered deposits to total deposits of 77.42% and the other had a ratio of 75.62%. In the aggregate, 159 Oklahoma commercial banks did not report any brokered deposits and the average bank acquired 3.73% of their deposits through brokers. A large majority of commercial banks acquired almost all of their deposits from the local market.

Profitability

On average, Oklahoma commercial banks were profitable with the average ROA 0.81% and the average ROE 11.25%. Profitability has slipped some recently but commercial banks have done well in the aggregate when all things are considered. Only 16 commercial banks were not profitable in 2008 which means that 93.5% of all Oklahoma commercial banks were profitable. The profitability of Oklahoma commercial banks is additional evidence that a vast majority of the institutions in the commercial banking industry are safe and sound. The institutions that reported losses were often the same banks identified as troubled by other ratios.

The Role of Large Institutions

A significant characteristic of the structure of the Oklahoma commercial banking industry is that there is one relatively large institution and many smaller institutions. The Bank of Oklahoma with its home office in Tulsa had total assets of about \$16.6 billion at the end of 2008.⁶ The next largest commercial bank in Oklahoma was BancFirst with about \$3.9 billion in assets followed by Stillwater National Bank and Trust Company with approximately \$2.7 billion in assets.⁷ The median size commercial bank was only \$92.7 million and the average (mean) size commercial bank was \$248.2 million. The large difference in the median and the mean illustrates the huge difference in size between the Bank of Oklahoma and most commercial banks in Oklahoma. The Bank of Oklahoma is a major force in the state that affects many customers and has a very significant influence on the state's economy. As a result, this institution deserves special individual analysis.

The Bank of Oklahoma reported a risk based capital ratio of 7.96% which exceeds the 6% regulatory minimum and a leverage capital ratio of 6.46% which exceeds the regulatory minimum of 5%. The risk based capital ratio is in the 12th percentile for UBPR peer banks and the leverage ratio is in the 16th percentile for UBPR peer banks.⁸ This means that the Bank of Oklahoma's capital position exceeds regulatory minimums but is lower than peer banks. The noncurrent loans to total loans ratio is 2.85% which is in the 67th percentile of peer banks. The

⁶ Commercial banks in Oklahoma had \$61.5 billion in assets at the end of 2008. Oklahoma savings banks reported assets of \$15.2 billion and Oklahoma credit unions reported assets of \$8.5 billion. The Oklahoma depository financial institutions industry had a total of approximately \$85 billion in assets at the end of 2008. Each of the nineteen "stress test" institutions has assets in excess of \$100 billion.

⁷ MidFirst Bank is the second largest financial institution in Oklahoma reporting \$14.6 billion in assets at the end of 2008. MidFirst Bank is chartered as a savings bank and will be reviewed in the next section.

⁸ The 12th percentile means that the risk based capital ratio for the Bank of Oklahoma exceeds 12 percent of the banks in a peer group created for the Uniform Bank Performance Report.

ratio of noncurrent loans to equity capital is 27.2% which is below the critical 50% mark but in the 74th percentile for peer banks. The troubled assets to capital ratio is 24.4% which is in the 76th percentile for peer banks. Bank of Oklahoma's ratio of noncurrent loans to allowance for loan losses is 167.44% which is in the 74th percentile of peer banks. This ratio suggests that provisions may be higher than normal in the future. The Bank of Oklahoma reported strong profits with a return on assets of 0.94% (76th percentile of peers) and 15.64% (92th percentile of peers). The safety and soundness of the Bank of Oklahoma is adequate.

Summary

The Oklahoma commercial banking industry was reduced by failures and competitive forces from over 500 individual charters in the 1980's to the current level of 248 institutions with home offices in the state. This economic Darwinism caused bankers to be more prudent, sophisticated, and efficient in the management of Oklahoma commercial banks. At the same time, Oklahoma's local economy has fared well relative to other parts of the country. As a result of these two factors, the vast majority of the commercial banks in Oklahoma are financially safe and sound. Almost all commercial banks are well capitalized, profitable, and have relatively clean asset portfolios under the circumstances.

V. The Financial Condition of Savings Banks in Oklahoma

Only five depository financial institutions in Oklahoma have savings bank charters. All are supervised by the Office of Thrift Supervision and their deposits are insured by the Federal Deposit Insurance Corporation. Two of these institutions are mutual or non-stock institutions and three are stock institutions. While there are only five savings banks in Oklahoma, one of these institutions is MidFirst Bank with \$14.6 billion in assets which makes it one of two institutions that are much larger than any of the other institutions in Oklahoma. MidFirst is organized as a Sub Chapter S corporation and is one of the three stock institutions. The five savings banks are very heterogeneous in terms of size, operations, and strategies. Table 2 provides financial ratios for the five institutions although they are not peers except for charter type.

Capital

All of the savings banks in Oklahoma meet and exceed the regulatory minimums for risk based capital and leverage capital. One point of confusion is the equity capital ratio of MidFirst Bank which is low at 3.96%. The difference between the equity capital ratio and the regulatory capital ratios for MidFirst Bank is a \$475.6 million dollar item that consists of a loss of \$314.3 million on a cash-flow hedge and an additional \$167.6 million loss indicated as other. These two items were added back to equity capital to get Tier I capital for regulatory purposes. The equity capital position for MidFirst Bank went down from \$880.8 million at the end of 2007 to \$580.2 million at the end of 2008. The reason for this drop based on the summary of changes in equity

**Table 2: Condition of Oklahoma Savings Banks
As of December 31, 2008**

	MidFirst Bank	Osage Federal Bank	Fairview S & L Association	Liberty Federal S & L	1 st Bank Oklahoma
Profitability:					
Return On Assets	1.97%	-1.43%	1.22%	0.61%	1.16%
Return On Equity	34.53%	-9.20%	9.20%	5.64%	14.63%
Capital:					
Leverage Capital	7.13%	13.36%	13.22%	10.89%	7.65%
Risk Based Capital	11.32%	21.95%	21.25%	15.66%	12.17%
Equity Capital to Total Assets	3.96%	14.04%	13.22%	10.87%	8.40%
Loans:					
Total Loans to Total Assets	67.73%	70.08%	87.96%	92.66%	55.74%
Non-Current (90 days) Loans to Loans	1.92%*	0.28%	0.03%	6.30%	1.14%
Provisions for Loan Losses to Assets	0.00%	1.47%	0.00%	0.05%	0.00%
Non-Current Loans to Allowance	210.73%*	68.67%	4.12%	1,074.11%	116.33%
Non-Current Loans to Equity Capital	32.91%*	1.41%	0.17%	53.73%	7.58%
Total Assets	\$14.6 bil.	\$156 mil	\$31 mil.	\$179 mil.	\$206 mil.
Definition of Ratios:					
Return on Assets = Net Income / Total Assets (Quarterly Average)					
Return on Equity = Net Income/ Total Equity Capital (Quarterly Average)					
Leverage Capital = Tier One Leverage Capital (end of year)/Total Assets (Daily or weekly average for last quarter)					
Equity Capital to Total Assets = Total Equity Capital(end of year)/Total Assets(end of year)					
Risk Based Capital = Tier One Leverage Capital(end of year)/Risk Weighted Assets (end of year)					
Total Loans to Total Assets = Gross Loans and Leases (end of year)/Total Assets (end of year)					
Non-Current Loans (90 days) to Loans = Total Loans 90 days or more past due + Non-accrual Loans (end of year)/ Gross Loans and Leases(end of year)					
Provisions for Loan Losses to Assets = Total Provisions for loan losses/Total Assets (end of year)					
Non-Current Loans to Allowance = Total loans 90 days or more past due + Non-accrual loans (end of year)/Allowance for Loan Losses (end of year)					
Non-Current Loans to Equity Capital = Total loans 90 days or more past due + Non-accrual loans (end of year)/Total Equity Capital(end of year)					
* - Indicates that the total amount of non-current loans was adjusted for those loans that were either partially or wholly insured by the U. S. government.					

capital was a negative item for \$295.4 million titled other comprehensive income, but in this case a loss. A conversation with a representative at MidFirst Bank indicated that this difference is due to losses resulting from marking to market part of the securities portfolio.

Potential Loan Losses

One of the savings banks, Liberty Federal S & L, is facing problems with potential loan losses. The ratio of Non-Current Loans to Loans is 6.30% and the bank has 92.66% of its assets in loans.

The OTS reports show noncurrent loans and leases at MidFirst Bank of \$1.479 billion which is a huge sum. However, the same report lists noncurrent loans that are wholly or partially guaranteed by the U. S. government as \$1.288 billion. The past due figures for MidFirst Bank in Table 2 are based on the difference between these two numbers which is \$191 million. The other three institutions appear to have very low levels of potential loan losses.

Capital Relative to Potential Loans Losses

The critical ratio of Non-Current Loans to Equity Capital reveals that all but one of the savings banks has adequate capital to survive any potential loan losses. Liberty Federal Savings and Loan is slightly above the 50% threshold at 53.73% but many banks have recovered from this level of exposure in the past. One problem facing Liberty Federal Savings is a highly inadequate allowance for loan losses and a very high percentage of total assets invested in loans.

Profitability

The Osage Federal Bank made a relatively large provision of \$2.29 million in 2008 and also had securities losses of \$1.27 million resulting in a significant loss for the year. However, the savings bank still had a strong capital position at the end of the year. Liberty Federal Savings and Loan Association had below average earnings but it was profitable. All of the other savings banks in Oklahoma were profitable.

Summary

Oklahoma only has 5 savings banks. These institutions are extremely heterogeneous in size and operation. One, MidFirst Bank, is one of two large institutions in the state and one of the 100 largest depository financial institutions in the U. S. The financial condition of MidFirst Bank is moderately sound with some weaknesses. One other savings bank is in a weak financial condition. The others are sound.

V. The Financial Condition of Credit Unions in Oklahoma

Seventy-eight federally insured credit unions have their home offices in Oklahoma. Most of these institutions are small institutions. Somewhat like the commercial banks and the savings banks, there is one institution that is much larger than the others. Tinker Federal Credit Union had assets of \$1.816 billion at the end of 2008 compared to the average credit union in Oklahoma which had approximately \$100 million in assets at the end of 2008. However, the median size institution was only \$25 million in total assets. Ten of the credit unions in Oklahoma are designated as low income institutions.

Credit unions are legally not-for profit cooperative depository institutions but many of the same measures for safety and soundness used for commercial banks and savings banks apply. An additional consideration for credit unions is the soundness of corporate credit unions in which they may have investments. Recently, two relatively large corporate credit unions were placed in conservatorship by the National Credit Union Administration. Credit unions are chartered and regulated by the National Credit Union Administration and deposits are insured by the National

Credit Union Share Insurance Fund, the deposit insurance arm of the NCUA. NCUSIF is funded by member funds similar to the Federal Deposit Insurance Corporation and backed by the federal government. Due to recent losses to the NCUSIF, credit unions were assessed an additional amount to help build back the capital of the fund. The NCUSIF deposits of credit unions were written down by approximately 69% and an additional premium of 30 basis points on shares was levied. The net effect is to reduce average return on assets by about 70 basis points.

Capital

The ratio of net worth to total assets was used to measure the level of capital. Net worth includes retained earnings, regular reserves, and other specialized segregations of earnings. Net worth is the difference between liabilities and assets. No credit unions in Oklahoma had a net worth to total assets ratio below 6% and only 6 credit unions had a net worth to total assets ratio below 8%. The average net worth to total assets ratio for Oklahoma credit unions was 13.084% and the median was 11.62%.

Credit unions normally have more capital than other depository institutions because there is a lower economic incentive to leverage capital. However, the capital in Oklahoma credit unions is lower than their NCUA peer groups, but not by a significant amount. Twenty four out of 78 credit unions had net worth to total assets ratios in excess of their peer group averages at the end of 2008. The average peer group net worth to total assets ratio for Oklahoma credit unions was 14.302% compared to the Oklahoma average of 13.084%.

Potential Loan Losses

The NCUA reporting system for credit unions classifies all loans two months or more past due as delinquent. This is a more stringent test than the 90 day measure used by commercial banks and savings banks. In the aggregate, the average delinquent loans to total loans ratio for Oklahoma credit unions was 1.686% and the median was 0.94%. This means that if all of the loans in Oklahoma credit unions that were two months or more past due became losses, which is highly unlikely, the aggregate loan portfolio of Oklahoma credit unions would lose between 1 and 2% of its value. Nine Oklahoma credit unions had a delinquent loans to total loans ratio of 3% or higher. Five of these credit unions had a delinquent loans to total loans ratio of 5% or higher and three of these had a ratio higher than 10%. The three credit unions with the highest delinquent loans to total loans ratio ratios at the end of 2008 had significant increases in this ratio from the end of 2007. Approximately 5 Oklahoma credit unions face significant losses in their loan portfolios but the vast majority of credits unions have very low exposure to loan losses.

Capital Relative to Potential Loan Losses

Credit unions are like other depository financial institutions in that the most important measure of safety and soundness is the amount of potential loan losses relative to capital. Only two credit unions in Oklahoma have a delinquent loans to net worth ratio above 50%. One has a ratio of 76.72% and the other 68.41%. Four other credit unions have a delinquent loans to net worth between 20 and 40%. Approximately 5 credit unions have significant weakness but only two would be considered to have serious difficulties. Approximately 95% of all credit unions in Oklahoma are safe and sound with little risk of insolvency.

Potential Losses on Securities

Only six Oklahoma credit unions reported any depreciation in the value of their held-to-maturity securities in 2008 and 3 of these institutions had less than 1% depreciation. The highest amount of depreciation was 3.57% in one case which is not high. Only seven Oklahoma credit unions reported any depreciation in the value of their available-for-sale securities portfolio. However, one institution had 26.79% depreciation in the available-for-sale portfolio and another had 13.8% depreciation. The other five had depreciation ranging from 0.45% to 4.01% which is low. Overall, potential losses from securities appear to be low for almost all credit unions in Oklahoma.

Profitability

Even though credit unions are statutorily non-profit institutions, the ability to earn more revenues than expenses is important because retention of earnings builds capital. The ratio of net income to total assets, or ROA, was used to measure profitability although this measure is not the same for commercial banks and savings banks because credit unions do not pay federal income taxes.

Seventeen of the 78 credit unions in Oklahoma did not earn a profit in 2008. Most of these 17 credit unions were only marginally unprofitable but 5 of them experienced significant losses. Several of the unprofitable institutions also had low capital relative to potential loan losses.

Loss Exposure from Corporate Credit Unions

Corporate credit unions are a special type of organization that does not have retail human customers but provide services to other credit unions. Corporate credit unions are owned by other credit unions and these credit unions may place funds for investment in the corporate credit unions. Usually retail credit unions own and invest in corporate credit unions. However, some corporate credit unions serve only other corporate credit unions which creates three layers of institutions: (1) corporate credit unions that only serve other corporate credit unions, (2) corporate credit unions that serve retail credit unions, and (3) retail credit unions. The corporate credit union system creates a complex set of interconnections between the various institutions.

Retail credit unions can have funds at risk in a corporate credit union three ways: (1) membership capital, (2) paid-in capital, and (3) funds deposited in the corporate credit union. If a corporate credit union becomes insolvent, the retail credit union will lose the membership capital and paid-in capital and may lose the deposited funds if they are not insured. The question of the investment of funds by retail credit unions in corporate credit unions has recently become important because some corporate credit unions have been determined to have large losses in their mortgage-backed securities portfolios. The NCUA has recently taken two corporate credit unions into conservatorship because of large losses in their securities portfolio. One of these institutions was in Kansas and was a corporate credit union that served only other corporate credit unions. It is difficult to determine from publicly available information if Oklahoma retail credit unions had any exposure to this corporate credit union through the corporate credit unions it served. Oklahoma has no corporate credit unions.

The average Oklahoma credit union held membership capital in corporate credit unions equivalent to 6.37% (6.27% median) of net worth in 2008. However, 13 Oklahoma credit unions had over 10% of their net worth invested in membership capital in a corporate credit union. Only two Oklahoma credit unions had paid-in capital in corporate credit unions but one had 8.62% of net worth and the other had 11.34% of net worth in paid-in capital. Paid-in capital and membership capital were losses for Wescorp, a California corporate credit union, and U. S. Central, a Kansas corporate credit union, will experience heavy losses in both accounts.

Another piece of the corporate credit union puzzle concerns funds deposited in corporate credit unions. The average Oklahoma retail credit union has 36.65% of net worth invested in corporate credit unions. Nine Oklahoma credit unions have in excess of 100% of their capital invested in corporate credit unions and two institutions have an amount equal to almost 400% of their net worth invested in corporate credit unions. One of the Oklahoma credit unions with very large investment in corporate credit unions has multiple other problems including past due loans and capital problems. The NCUA has taken steps to insure the deposits in corporate credit unions until 2014. Corporate credit unions participate in this guarantee program on a voluntary basis.

The corporate credit unions that Oklahoma retail credit unions invest in are not available from public information. The level of exposure of Oklahoma credit unions to problems in corporate credit unions is unclear and may well be minimal. Credit unions are being assessed charges to cover losses by corporate credit unions.⁹

Summary

Almost all of the credit unions in Oklahoma are safe and sound. One or two have serious problems and probably a total of five have significant problems. However, this is only about 6% of all credit unions in the state and certainly we are experiencing enough of the national downturn to expect some impact on our credit unions. The unknown factor for credit unions is the ultimate impact of losses in corporate credit unions. The NCUA is moving to take care of the problems but some losses are to be expected. It is unclear how problems in the corporate credit unions will impact Oklahoma retail credit unions.

⁹ The NCUA website has much more information on this topic. www.ncua.gov

Table 3. Capital Adequacy of Oklahoma Credit Unions

Credit Union	CAP/TA07	CAP/TA08	Peer 1	NC/CAP07	NC/CAP08	Peer 2
Associated Blind of OK/TEX	13.00	10.28	20.52	47.58	76.72	17.72
Langston	9.67	7.40	20.52	69.63	68.41	17.72
Gilt Edge Employees	17.54	15.79	20.52	16.54	41.33	17.72
Woods	10.47	9.45	14.12	19.61	32.43	8.09
OSU Institute of Technology	12.56	11.67	16.57	16.13	31.90	10.54
Tulsa Metro	11.22	11.62	16.57	1.84	29.33	10.59
McAlester	33.02	30.38	16.57	11.56	19.85	10.54
Morning Star	11.33	9.20	20.52	69.84	17.39	17.72
Central Oklahoma	11.89	12.15	14.12	8.18	15.98	8.09
NEO	11.94	11.28	14.12	13.76	15.91	8.09
First Tulsa	17.17	14.17	16.57	18.68	14.45	10.54
Muskogee	8.84	8.63	12.24	17.31	13.46	9.57
Group Service Employees	17.19	17.33	14.12	10.38	10.14	8.09
Western Sun	13.46	13.46	12.25	12.36	9.72	9.57
Halliburton Employees	11.69	11.00	12.24	3.48	9.49	9.57
Fraternal Order of Police	10.23	9.55	14.12	2.99	9.10	9.09
Municipal EMPS CU of OKC	8.80	7.78	12.24	13.09	8.80	9.57
Midwest City	7.25	6.81	16.57	6.61	8.76	10.54
Energy One	7.21	7.23	11.39	7.13	8.42	9.54
Bison	10.10	9.44	14.12	5.55	7.75	8.09
Tulsa Postal & Community	8.98	8.01	14.12	6.65	7.72	8.09
First Family	9.22	9.69	14.12	5.66	7.20	8.09
FAA	10.10	9.74	11.39	3.03	7.01	9.54
The Focus	8.20	8.40	12.24	3.50	6.93	9.57
Communications	9.81	8.91	14.12	0.91	6.91	8.09
East Central	10.47	9.80	16.57	12.23	6.84	10.54
Friends	16.75	17.29	16.57	6.73	6.71	10.54
Velma	12.03	11.96	16.57	8.81	6.60	10.54
Tulsa Teachers	15.68	14.67	10.75	3.81	6.50	9.42
Cooperative Employees	12.01	10.31	16.57	10.58	6.35	10.54
Tinker	10.99	10.76	10.75	4.84	6.13	9.42
My Choice	17.35	17.59	16.57	12.49	6.12	10.54
66	8.43	8.60	11.39	5.24	5.85	9.54
Allegiance	9.52	8.90	11.39	20.40	5.65	9.54
Ada Federal Employees	9.55	7.92	16.57	0.22	5.60	10.54
Sand Springs Community	10.58	10.58	14.12	3.08	5.22	8.09
Tri-County	12.91	12.25	16.57	1.37	4.70	10.54
OK	15.15	13.08	14.12	2.80	4.63	8.09
Red River	16.85	14.72	12.24	3.24	4.11	9.57
Fort Sill	11.27	10.37	11.39	2.80	4.04	9.54

Table 3. Capital Adequacy of Oklahoma Credit Unions (Continued)

Credit Union	CAP/TA07	CAP/TA08	Peer 1	NC/CAP07	NC/CAP08	Peer 2
Riverwest	15.56	15.66	16.57	9.67	3.97	10.54
U. S. Employees O.C.	15.81	14.01	12.24	2.36	3.93	9.57
Oklahoma	10.39	9.70	12.24	5.52	3.88	9.57
SSMOK Employees	22.42	21.64	16.57	6.85	3.78	10.54
Golden Eagle	19.13	19.98	14.12	4.68	3.58	8.09
Oklahoma Employees	11.18	10.68	11.39	3.59	3.53	9.54
Tulsa Municipal Employees	12.81	13.58	14.12	2.63	3.50	8.09
OKC Thrift	15.87	13.95	14.12	1.15	3.41	8.09
Dowell	10.08	9.32	14.12	12.43	3.38	8.09
El Reno Reformatory	16.08	13.28	16.75	1.34	2.84	10.54
Saint Francis Employees	8.68	7.91	14.12	4.03	2.80	8.09
Oklahoma Educators	10.83	9.06	12.24	5.23	2.76	9.57
OU	11.26	9.59	14.12	5.94	2.64	8.09
Red Crown	10.81	8.39	11.39	1.53	2.52	9.54
Integrus	19.17	18.20	16.57	3.01	2.47	10.54
Communication	17.50	17.28	10.75	1.43	2.31	9.42
United Members	15.89	15.32	14.12	5.04	2.21	8.09
Credit Union One of OK	18.61	18.40	14.12	1.68	2.07	8.09
Oklahoma Central	13.02	12.43	11.39	1.70	2.04	9.54
Teachers	39.16	39.84	16.57	1.08	1.93	10.54
WEOKIE	10.34	9.51	10.75	2.37	1.87	9.42
Oklahoma RE&T Employees	14.48	12.84	14.12	1.01	1.57	8.09
Community Source	11.08	11.67	16.57	7.65	1.51	10.54
University & Community	10.17	11.25	12.24	2.22	1.43	9.57
Southwest Oklahoma	7.99	8.44	12.24	2.12	1.37	9.57
Department of Public Safety	20.04	19.23	14.12	1.13	1.35	8.09
Hillcrest	18.54	18.03	14.12	0.66	1.35	8.09
OK Members First	17.52	17.41	14.12	1.58	1.01	8.09
Cherokee Strip	11.55	11.64	12.24	1.54	0.96	9.57
El Reno R.I.L.	11.45	10.17	14.12	1.13	0.84	8.09
McAlester AAP	21.09	20.21	14.12	0.85	0.81	8.09
Tulsa (Federal Employees)	12.08	11.11	11.39	2.77	0.79	9.54
Frisco Employees	10.94	11.05	16.57	2.19	0.73	10.54
Fire Fighters	16.22	16.39	14.12	0.00	0.70	8.09
Comanche County	15.80	15.81	14.12	0.00	0.36	8.09
Covenant	12.10	13.06	16.57	0.00	0.00	10.54
Space Age Tulsa	19.36	20.71	14.12	0.76	0.00	8.09
St. John Tulsa	18.38	19.33	14.12	1.10	0.00	8.09

Table 3: Capital Adequacy of Oklahoma Credit Unions (Continued)

Definitions of Table Categories

CAP/TA07 = Total Equity to Total Assets 12-31-2007

For most credit unions, equity = undivided earnings + regular reserves + other reserves.

CAP/TA08 = Total Equity to Total Assets 12-31-2008

Peer1 = Peer Group Average for CAP/TA08

Peer groups are created by the National Credit Union Administration.

NC/CAP07 = Noncurrent Loans to Total Equity 12-31-2007

Noncurrent Loans are all loans two months or more past due.

NC/NW08 = Noncurrent Loans to Total Equity 12-31-2008

Peer2 = Peer Group Average for NC/CAP08

Appendix 1: Capital Analysis of Oklahoma Commercial Banks (Ranked by NC/Equity)						
As of 12-31-2008						
Bank	City	Avg. Assets (\$000)	NC/ALL	NC/Equity	Risk Based	Leverage
First State Bank of Altus	Altus	122,180	601.82	487.92	6.17	4.86
American State Bank	Tulsa	11,526	923.46	103.31	10.09	6.43
First Priority Bank	Pryor	125,345	328.34	80.46	13.61	10.21
First National Bank	Heavener	94,295	492.38	65.47	11.51	7.12
F & M Bank, NA	Yukon	84,071	430.19	58.96	9.96	8.33
The Exchange Bank	Skiatook	103,762	349.31	55.79	8.81	6.15
Home National Bank	Blackwell	797,488	442.26	48.51	13.21	10.64
Triad Bank, NA	Tulsa	106,253	702.12	47.13	13.15	11.13
Anadarko Bank & Trust Co.	Anadarko	66,549	267.20	45.67	14.90	9.05
Bank of Commerce	Chouteau	33,664	791.28	44.36	13.02	9.12
First National Bank in Pawhuska	Pawhuska	38,478	301.66	44.21	11.76	8.14
ACB Bank	Cherokee	49,477	594.66	43.87	13.67	10.44
First BankCentre	Broken Arr	54,878	319.96	39.79	13.07	8.44
Security Bank and Trust Company	Miami	79,979	359.27	39.42	15.13	9.88
Farmers & Merchants Bank	Crescent	126,159	377.33	38.72	13.50	9.82
First Capital Bank	Guthrie	116,342	262.58	38.47	8.54	7.75
First State Bank	Tahlequah	82,054	257.25	35.66	10.80	9.08
Bank of the Lakes, NA	Owasso	210,044	340.77	35.26	10.28	8.48
Tulsa National Bank	Tulsa	182,932	320.56	34.31	12.05	9.40
First State Bank	Picher	10,783	255.93	33.86	10.57	7.35
Central National Bank and Trust Company of	Enid	502,631	280.18	33.12	9.70	7.87
Arkansas Valley State Bank	Broken Arr	280,915	214.08	31.44	15.27	10.52
The First State Bank	Keyes	45,260	410.23	30.80	8.56	7.09
The First National Bank of Lindsay	Lindsay	23,368	208.05	30.32	16.75	8.61
Farmers Exchange Bank	Cherokee	103,388	166.05	29.94	13.62	8.23
Oklahoma State Bank	Vinita	83,725	351.16	28.74	11.65	9.99
Regent Bank, NA	Nowata	110,914	283.20	28.46	12.38	8.71
Kirkpatrick Bank	Edmond	481,866	372.00	27.26	12.17	9.21
Bank of Oklahoma, NA	Tulsa	15,374,393	167.44	27.20	7.96	6.46
First Security Bank & Trust Company	Okla City	42,963	296.63	26.97	11.29	8.26
Bank of Commerce	Chelsea	161,027	236.31	26.19	11.19	8.54
SpiritBank	Tulsa	1,235,126	154.34	25.49	9.00	7.21
Liberty National Bank	Lawton	165,714	229.33	24.75	11.47	8.53
The First Texoma National Bank	Durant	237,326	212.84	23.65	9.25	7.86
Central National Bank of Poteau	Poteau	177,899	591.26	23.27	15.84	8.23
Security State Bank	Wewoka	73,057	148.06	20.80	16.41	10.80
The Stillwater National Bank & Trust Co.	Stillwater	2,605,036	164.90	20.60	11.08	11.23
Stockmans Bank	Altus	113,818	253.97	20.54	9.27	7.43
First National Bank	Davis	71,604	279.35	20.45	15.62	8.94

Summit Bank	Tulsa	217,179	177.62	19.70	10.87	7.01
The First National Bank & Trust Company of	Broken Arr	199,466	338.13	19.62	13.72	7.82
First State Bank	Grandfield	25,579	166.15	19.44	11.30	7.69
The Carney State Bank	Carney	17,414	498.15	19.35	22.84	7.94
Freedom Bank of Oklahoma	Tulsa	42,440	272.88	18.37	19.17	12.79
Farmers State Bank	Allen	41,451	187.43	18.10	12.65	8.76
First National Bank & Trust Company	Elk City	232,823	267.13	17.91	14.36	9.33
First State Bank	Noble	54,228	225.08	17.78	11.16	7.70
McClain Bank	Purcell	160,353	318.78	17.47	13.97	10.37
American Exchange Bank	Henryetta	66,792	232.05	17.43	12.06	8.32
Grand Bank	Tulsa	242,520	137.07	17.38	10.07	8.27
First Bethany Bank and Trust, NA	Bethany	135,864	274.97	17.30	12.07	8.11
Armstrong Bank	Muskogee	485,214	215.07	17.13	10.60	9.11
Peoples Bank & Trust Company	Ryan	19,519	277.55	16.81	19.12	11.93
National Bank of Sallisaw	Sallisaw	96,154	367.20	16.41	20.03	12.85
The Eastman National Bank	Newkirk	143,075	108.88	16.18	11.12	8.97
Grand Savings Bank	Grove	208,978	142.21	15.47	11.47	9.45
First American Bank	Purcell	291,331	114.50	14.88	10.61	8.35
Bank of Kremlin	Kremlin	200,208	161.90	14.76	10.35	9.38
Coppermark Bank	Okla City	1,012,622	116.31	14.69	9.04	9.45
Bank of Wyandotte	Wyandotte	13,023	75.84	14.55	9.51	6.89
ONB Bank and Trust Company	Tulsa	624,833	165.15	14.24	9.31	8.43
Southwest National Bank	Weatherford	49,961	123.12	14.18	16.82	11.33
Bank of Quapaw	Quapaw	7,308	450.00	14.06	30.18	14.64
Bank of Cherokee County	Hulbert	95,507	152.96	13.78	11.24	7.34
First State Bank	Porter	35,358	211.42	13.74	17.20	12.96
Community State Bank of Canton	Canton	29,174	37.43	13.33	14.56	12.07
First Fidelity Bank, NA	Okla City	1,080,698	150.50	13.28	11.25	8.84
Bank of Hydro	Hydro	88,508	112.85	13.13	9.70	8.81
Bank of Western Oklahoma	Elk City	174,386	210.82	13.10	9.74	7.53
Stroud National Bank	Stroud	71,923	153.01	12.96	11.33	7.94
State Exchange Bank	Lamont	47,771	114.56	12.76	9.67	9.40
Grant County Bank	Medford	64,281	179.54	12.68	23.62	13.86
Republic Bank & Trust	Norman	306,597	178.05	12.65	9.58	8.90
First United Bank & Trust Co.	Durant	1,903,844	141.05	12.60	9.64	8.45
Security First National Bank	Hugo	104,221	117.89	12.15	11.20	7.14
Citizens Security Bank and Trust Company	Bixby	533,145	107.84	12.09	8.99	7.70
Great Plains National Bank	Elk City	332,398	130.97	11.95	10.17	8.73
American Bank of Oklahoma	Collinsville	104,209	192.49	11.72	10.45	8.13
The Freedom State Bank	Freedom	18,431	110.26	11.35	16.40	7.89
First State Bank	Camargo	27,403	115.62	11.06	8.40	7.80
Security Bank	Tulsa	339,663	163.45	11.05	13.75	10.17

Cornerstone Bank	Watonga	78,040	121.63	10.91	17.63	10.43
Community State Bank	Hennessey	32,598	100.00	10.71	10.23	8.60
First National Bank	Thomas	36,401	107.33	10.62	26.67	16.18
Citizens State Bank	Morrison	65,523	112.75	10.60	10.82	8.71
The Farmers Bank	Carnegie	45,710	118.35	10.45	12.81	10.72
The Bank, NA	McAlester	389,428	155.35	10.41	12.45	8.01
The First National Bank of Coweta	Coweta	64,138	177.92	10.40	14.09	7.55
Community State Bank	Poteau	137,095	144.96	10.18	12.97	9.45
Frontier State Bank	Okla City	677,639	893.38	10.10	18.86	8.03
Bank of Locust Grove	Locust Grve	25,935	88.48	10.08	11.92	9.06
Lakeside Bank of Salina	Salina	27,484	96.55	10.08	11.66	9.07
First Bank of Chandler	Chandler	68,906	86.25	10.01	11.17	9.54
The Bank of Verden	Verden	26,897	253.02	10.00	19.10	12.29
First State Bank	Valliant	58,874	60.27	9.84	10.65	9.00
First National Bank	Hooker	53,013	225.26	9.52	22.07	12.63
First Bank & Trust Company	Wagoner	186,756	69.12	9.51	9.14	7.46
Bank of Vici	Vici	30,321	154.69	9.38	13.81	9.85
Yukon National Bank	Yukon	220,278	138.87	9.26	13.22	7.29
Alva State Bank & Trust Company	Alva	184,118	143.77	9.20	20.98	16.08
The First National Bank and Trust Company	Shawnee	178,286	131.62	9.03	15.17	9.42
First Bank & Trust Co.	Duncan	408,743	166.63	8.70	14.08	10.70
Legacy Bank	Hinton	486,170	103.53	7.63	10.44	9.15
First National Bank & Trust Company of	McAlester	406,635	186.56	7.41	20.35	10.83
Welch State Bank of Welch, Oklahoma	Welch	183,474	37.57	7.24	10.82	8.41
Bank of the Wichitas	Snyder	89,468	110.26	7.07	12.35	10.09
The First Security Bank	Beaver	85,949	78.54	7.04	9.86	7.96
Chickasha Bank & Trust Company	Chickasha	177,707	63.32	6.96	10.77	8.66
First State Bank	Canute	20,790	207.69	6.83	31.04	27.92
First Commercial Bank	Edmond	204,948	92.56	6.82	10.26	9.29
The First State Bank	Ryan	42,809	115.97	6.78	13.90	9.43
Lakeside State Bank	Oologah	51,154	125.24	6.77	20.01	9.16
First National Bank of Muskogee	Muskogee	136,417	72.77	6.74	9.19	7.52
Exchange National Bank of Moore	Moore	109,237	113.55	6.69	12.96	8.40
Citizens Bank of Ada	Ada	170,680	188.26	6.59	13.44	9.47
Exchange Bank and Trust Company	Perry	136,529	64.91	6.53	13.06	8.33
First Liberty Bank	Okla City	56,624	126.96	6.49	15.91	14.30
Valliance Bank	Okla City	171,752	96.35	6.31	11.43	7.68
InterBank	Elk City	219,677	95.22	6.25	10.70	9.90
The Morris State Bank	Morris	61,507	58.27	6.08	11.08	8.09
Valley National Bank	Tulsa	189,208	68.04	6.07	9.35	9.39
The First National Bank and Trust Company	Okmulgee	196,341	87.18	6.04	15.55	10.98
The First National Bank and Trust Company	Miami	124,219	51.09	6.03	10.73	7.59

The First National Bank and Trust Company	Vinita	210,945	71.58	5.88	10.42	7.98
Community Bank of the Arbuckles	Sulphur	77,629	54.68	5.75	12.98	7.83
The City National Bank & Trust Company of	Lawton	253,987	55.18	5.75	19.57	12.40
BancFirst	Okla City	3,767,075	66.21	5.59	11.64	9.52
First Enterprise Bank	Okla City	134,269	82.91	5.59	12.35	10.29
First State Bank	Watonga	38,294	88.15	5.58	15.10	10.02
Vision Bank, NA	Ada	484,923	65.85	5.50	9.78	8.60
Citizens State Bank	Okemah	91,576	133.81	5.41	18.00	7.74
Pauls Valley National Bank	Pauls Valley	142,605	116.03	5.37	16.82	10.95
Bank 7	Okla City	93,571	87.92	5.23	9.83	7.62
First State Bank	Waynoka	21,931	54.33	5.11	20.87	11.92
First State Bank	Boise City	40,764	73.96	5.08	12.60	9.55
The Citizens Bank of Edmond	Edmond	332,814	59.76	5.07	11.61	9.25
Hopeton State Bank	Hopeton	22,803	151.70	5.07	48.41	18.70
All America Bank	Okla City	154,957	116.77	4.84	12.48	7.30
Union Bank	Okla City	788,099	96.29	4.78	8.98	7.75
Oklahoma Heritage Bank	Roff	45,353	47.41	4.68	12.16	8.25
Bank of Union	El Reno	216,575	113.51	4.45	11.72	9.48
McCurtain County National Bank	Broken Bow	137,129	50.48	4.41	11.22	7.62
Landmark Bank, NA	Ada	553,317	28.78	4.31	9.08	7.45
Advantage Bank	Spencer	49,106	49.79	4.28	15.74	11.13
First National Bank in Wewoka	Wewoka	43,448	145.51	4.23	27.09	12.49
First National Bank & Trust Company of	Ardmore	326,977	57.76	4.22	12.17	7.19
Bank of the Panhandle	Guymon	89,823	100.42	4.16	16.99	12.46
The Cleveland Bank	Cleveland	49,582	63.57	4.07	12.24	7.70
Bank of Commerce	Stilwell	79,592	273.72	4.05	18.24	11.59
Farmers State Bank	Quinton	65,425	23.31	3.97	12.02	8.29
Bank of Cushing & Trust Company	Cushing	88,928	41.45	3.93	16.83	11.20
Latimer State Bank	Wilburton	79,060	84.76	3.92	36.53	15.69
The Stock Exchange Bank	Woodward	152,089	124.85	3.88	22.15	13.57
Shattuck National Bank	Shattuck	45,651	73.28	3.86	16.86	8.36
First Farmers National Bank of Waurika	Waurika	40,490	32.20	3.86	40.37	18.50
The F & M Bank & Trust Company	Tulsa	1,294,338	41.41	3.71	9.69	9.43
Shamrock Bank, NA	Coalgate	227,767	51.81	3.66	13.73	9.03
RCB Bank	Claremore	1,199,511	42.85	3.61	12.15	7.70
Citizens Bank of Oklahoma	Pawhuska	118,482	36.13	3.56	12.50	9.64
American Exchange Bank	Lindsay	48,574	35.64	3.49	16.47	8.77
Payne County Bank	Perkins	99,513	82.17	3.47	23.17	16.26
Peoples Bank	Westville	47,659	94.15	3.35	16.86	10.93
State Guaranty Bank	Okeene	33,035	111.02	3.31	20.69	11.44
NBC Oklahoma	Okla City	416,053	32.97	3.30	9.16	7.82
First State Bank	Fairfax	39,366	53.92	3.11	26.07	14.50

First Bank of Okarche	Okarche	49,751	38.21	3.08	20.83	15.28
First State Bank	Pond Creek	34,005	16.42	3.02	13.23	9.18
1st Bank & Trust	Broken Bow	106,633	52.09	2.97	16.38	10.65
Washita Valley Bank	Fort Cobb	31,897	131.62	2.96	25.51	16.29
Okemah National Bank	Okemah	63,821	51.54	2.87	24.63	12.07
First National Bank	Midwest Cty	352,734	38.20	2.84	17.68	10.17
Security State Bank	Cheyenne	101,817	38.15	2.81	17.00	10.45
Bank of Laverne	Laverne	56,446	55.94	2.72	30.88	15.59
First National Bank in Hominy	Hominy	46,240	70.55	2.70	17.62	6.99
First National Bank	Pawnee	58,285	36.21	2.46	17.83	11.70
First Bank and Trust Company	Perry	121,875	50.38	2.42	19.30	12.61
Fort Gibson State Bank	Fort Gibson	61,133	40.52	2.41	10.38	6.45
First National Bank	Idabel	87,425	29.50	2.28	16.90	10.61
First National Bank in Okeene	Okeene	65,711	65.18	2.25	69.22	29.12
FirstBank	Antlers	161,615	28.28	2.22	11.09	8.74
First National Bank of Oklahoma	Ponca City	163,089	25.66	2.17	11.54	8.76
Glencoe State Bank	Glencoe	11,615	58.24	2.14	31.23	20.84
First State Bank	Jones	38,797	32.56	2.08	25.35	11.58
Oklahoma State Bank	Guthrie	41,717	32.54	2.07	12.28	9.05
Idabel National Bank	Idabel	92,978	39.71	2.05	15.40	7.99
Peoples Bank	Tulsa	92,648	15.79	2.02	8.88	7.64
The City National Bank and Trust Company	Guymon	148,130	33.15	2.01	18.40	8.60
The State Bank of Wynnewood	Wynnewood	58,860	21.78	1.91	15.99	11.21
First National Bank	Stigler	93,095	45.67	1.90	14.87	7.07
AmeriState	Atoka	176,066	23.02	1.89	12.97	8.76
Bank 2	Okla City	84,733	30.95	1.89	12.63	9.07
Bank of Eufaula	Eufaula	78,281	141.03	1.78	32.07	14.65
Community Bank	Bristow	63,371	19.00	1.76	11.10	6.78
Washita State Bank	Burns Flat	226,477	245.11	1.72	26.41	8.34
Quail Creek Bank, NA	Okla City	391,535	28.66	1.68	9.97	8.54
First National Bank and Trust Company	Weatherford	98,824	107.02	1.60	21.23	16.00
The First National Bank and Trust Company	Chickasha	323,446	49.34	1.52	19.34	12.64
Oklahoma Bank and Trust Company	Clinton	123,630	28.14	1.48	32.77	14.10
The First National Bank	Seiling	69,802	26.51	1.21	24.54	12.21
Farmers & Merchants Bank	Arnett	34,449	11.95	1.16	19.19	11.92
Spiro State Bank	Spiro	51,966	17.75	1.07	31.05	12.51
First American Bank	Stonewall	21,431	7.50	0.95	16.15	10.34
Peoples National Bank of Checotah	Checotah	120,025	15.69	0.92	29.35	15.15
The Fort Sill National Bank	Fort Sill	288,526	19.78	0.91	28.28	15.26
The Security National Bank of Enid	Enid	267,760	22.97	0.87	13.45	7.82
Wilburton State Bank	Wilburton	60,051	5.64	0.82	10.67	5.83
Central National Bank of Alva	Alva	250,307	24.88	0.81	20.77	11.15

First National Bank of Texhoma	Texhoma	106,711	15.18	0.80	17.73	10.64
First Bank and Trust Company	Clinton	43,924	15.38	0.59	23.38	8.76
The Bankers Bank	Okla City	186,353	9.19	0.55	12.20	6.68
Southwest State Bank	Sentinel	122,419	11.39	0.50	13.27	7.34
First Bank of Owasso	Owasso	203,946	5.99	0.49	9.52	9.46
The Bank of the West	Thomas	133,975	4.72	0.49	10.24	9.82
Bank of Beaver City	Beaver	111,392	4.88	0.46	9.87	7.01
Union Bank of Chandler	Chandler	130,545	4.51	0.38	12.77	9.31
Bank of Commerce	Duncan	91,911	4.68	0.37	12.27	11.68
First Bank of Fairland	Fairland	10,272	12.90	0.35	15.19	9.07
American Bank and Trust Co.	Tulsa	171,336	10.20	0.29	20.30	9.88
First State Bank	Anadarko	68,351	6.12	0.29	41.42	19.32
Cleo State Bank	Cleo Springs	70,455	8.56	0.27	36.68	19.34
Canadian State Bank	Yukon	130,039	3.33	0.17	11.30	9.39
American Heritage Bank	Sapulpa	608,065	2.55	0.16	18.15	9.81
First National Bank, Sallisaw	Sallisaw	200,183	3.37	0.15	10.20	7.63
Sooner State Bank	Tuttle	129,051	3.36	0.14	19.56	11.56
Peoples State Bank	Blair	13,825	1.47	0.13	13.04	11.10
Citizens Bank & Trust Company of Ardmore	Ardmore	167,424	2.55	0.11	13.53	9.00
Farmers & Merchants Bank	Duke	15,175	4.88	0.11	25.31	11.80
First State Bank	Yukon	15,795	0.94	0.07	12.82	8.77
Community Bank	Alva	53,104	0.21	0.02	12.64	7.87
Walter Bank & Trust Company	Walters	50,956	0.30	0.01	67.23	23.17
Oklahoma State Bank	Bufaflo	41,763	0.00	0.00	13.59	7.08
First State Bank	Elmore City	9,119	0.00	0.00	18.25	7.39
The First National Bank in Altus	Altus	267,301	0.00	0.00	17.14	7.62
First American Bank	Erick	35,604	0.00	0.00	16.48	7.81
First National Bank of Nash	Nash	9,941	0.00	0.00	14.90	8.15
Bank of Cordell	Cordell	34,951	0.00	0.00	10.23	8.23
American National Bank	Ardmore	171,053	0.00	0.00	13.78	8.34
Farmers & Merchants Bank	Maysville	16,761	0.00	0.00	16.17	8.66
First National Bank in Marlow	Marlow	63,526	0.00	0.00	16.77	9.63
Farmers & Merchants National Bank	Fairview	74,219	0.00	0.00	20.21	10.48
The Bank of Grove	Grove	43,609	0.00	0.00	14.35	11.10
The First National Bank of Fletcher	Fletcher	17,825	0.00	0.00	23.41	12.92
Community National Bank of Okarche	Okarche	54,627	0.00	0.00	20.75	13.26
First State Bank of Temple	Temple	21,758	0.00	0.00	30.25	17.28
AllNations Bank	Calumet	19,637	0.00	0.00	36.99	18.11
Century Bank	Pryor	27,410	0.00	0.00	21.23	18.41
American Bank	Wagoner	30,021	0.00	0.00	45.64	18.88
Prime Bank	Edmond	16,418	0.00	0.00	27.55	25.24

NC/ALL = Non-current Loans (90days past due) to Allowance for Losses on Loans

NC/Equity = Non-current Loans (90days past due) to Total Equity Capital

Risk Based = Tier One Risk Based Capital/Risk Weighted Assets

Leverage = Tier One Leverage Capital/Adjusted Average Assets