



## PUBLIC DISCLOSURE

November 13, 2017

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Oklahoma  
Charter Number 11397**

**10900 Hefner Pointe Drive  
Oklahoma City, OK 73120**

Office of the Comptroller of the Currency  
Oklahoma City Field Office  
The Harvey Parkway Building  
301 NW 63rd Street, Suite 490  
Oklahoma City, OK 73116-7908

**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, and should not 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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**Overall CRA Rating: This Institution is rated: Outstanding.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The major factors that support this rating include:

- A majority of First National Bank of Oklahoma's (FNBOK) loans were originated within their assessment areas (AAs).
- The loan-to-deposit (LTD) ratio is excellent and exceeds the standard for satisfactory performance.
- The bank's distribution of loans to businesses and individuals of different income levels is satisfactory.
- The geographic distribution of loans reflects an excellent dispersion throughout the AAs.
- FNBOK's community development (CD) performance demonstrates excellent responsiveness to the CD needs of its AAs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder' and

no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent

an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

FNBOK is headquartered in Oklahoma City, Oklahoma. The bank is a wholly owned subsidiary of First Bancorp of Oklahoma, Inc., a one-bank holding company.

FNBOK owns 100 percent of Tonkawa Business Incubator, LLC, ("TBI"), Tonkawa, Oklahoma, a certified Small Business Incubator by the Oklahoma Department of Commerce. TBI embraces business support services tailored to new and emerging companies in the Tonkawa area with the intent to create sustainable businesses, which contribute to local and regional economic growth. The Oklahoma Small Business Incubators Incentive Act enables the tenants of certified business incubators to be exempt from state tax liability on income earned as a result of occupancy.

FNBOK's CRA AAs encompasses all of Oklahoma (central Oklahoma) and Kay counties (north central Oklahoma).

The bank's locations in the Oklahoma County AA are at 10900 Hefner Pointe Drive (upper-income census tract) and 5101 N. Western Avenue (moderate-income census tract) in Oklahoma City. Both locations include drive-up facilities and the Western Avenue location has a drive-up ATM. The bank is a member of the Allpoint Surcharge Free ATM Network, with 55,000 surcharge free ATMs worldwide. Additionally, FNBOK has established an agreement with STAR, the bank's ATM provider, to allow customers surcharge free access to 122 Transfund ATMs located in Oklahoma City metro area 7-11 stores.

The Kay County banking facilities are located at 1501 East Prospect Avenue, Ponca City (middle-income census tract) and 101 West Grand, Tonkawa (middle-income census tract). Both locations in Kay County include drive-up facilities and ATMs. The bank also owns and operates ATMs at Venture Foods in Tonkawa, and at the Stop-N-Go on South 14<sup>th</sup> Street and the Ponca City Medical Center in Ponca City.

The bank offers Internet and text banking, as well as remote and deposit capture as alternative banking methods. FNBOK's primary focus is to provide financial services to commercial businesses and consumers within their AAs. The bank meets the needs of its AAs by providing a wide array of loan and deposit products and services. These include various consumer, agricultural and commercial loans, including residential mortgage loan products, as well as bill pay and cash management services.



As of September 30, 2017, FNBOK's total assets equaled \$430 million, of which \$347 million were comprised of various loans to individuals and businesses. The bank's tier 1 leverage ratio was 8.80 percent with a loan LTD ratio of 90 percent. The table below details FNBOK's loan portfolio composition.

<b>Loan Distribution - FNBOK as of September 30, 2017</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>% of Gross Loans</b>
Consumer Loans	9,582	2.75%
Commercial Loans	41,514	11.96%
Residential Real Estate Loans	96,606	27.82%
Commercial Real Estate Loans	160,691	46.28%
Farm Loans	35,948	10.35%
Other Loans	2,880	0.84%
<b>Total</b>	<b>347,221</b>	<b>100.00%</b>

Source: 9/30/2017 Call Report Data

Both AAs are in highly competitive markets for financial services. As of June 30, 2017, the FDIC Summary of Deposits showed there were 55 institutions operating in Oklahoma County with 245 full service branches. FNBOK's deposit market share in Oklahoma County was 0.98 percent (23<sup>rd</sup>). Many of the bank's competitors operating in Oklahoma County have significantly greater resources than FNBOK.

In Kay County, there were 7 banks and thrifts that operated 19 full-service branches. FNBOK ranked third in Kay County with a market share of 15.39 percent of deposits. The bank's competition includes regional and local banks, as well as credit unions and other financial institutions.

There are no legal or financial impediments to FNBOK's ability to meet the credit needs of the AAs. The bank was rated "Satisfactory" at its last CRA examination dated April 7, 2014.

## Scope of the Evaluation

A Data Integrity review commenced on May 15, 2017, to evaluate the bank's system of internal controls for collecting, verifying, and submitting data reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR).

Two AAs were designated for full-scope reviews. There were no areas designated as limited-scope AAs. Full-scope reviews were performed for Oklahoma County Partial MSA and Kay County Non-MSA. Full-scope reviews are conducted in AAs where the bank has a substantial share of its deposit and loan business. The Oklahoma County Partial MSA AA contains 67 percent of the bank's loans and 63 percent of the bank's deposits. More emphasis was placed on performance in the Oklahoma County Partial MSA AA since it contains a majority of the bank's loans and deposits.

The full-scope review of the Oklahoma County Partial MSA AA included a random sample of small business loans originated in 2015, 2016 and through September 30, 2017 and HMDA loans (home purchase, home refinance, and home improvement) originated in 2014, 2015 and 2016. The full-scope review of Kay County Non-MSA AA included a random sample of small farm loans and HMDA loans for the same time periods, respectively. These are the major loan products for the bank.

The Data Integrity review determined that the bank's control systems for collecting, verifying and submitting the HMDA LAR were satisfactory and the bank's HMDA LAR was accurate.

This Performance Evaluation is based on 2010 US Census demographic information. Conclusions regarding the Lending Test are based on the origination of home mortgage, small business, and small farm loans from January 1, 2015 through September 30, 2017. Conclusions regarding the Community Development Test are based on CD activities from April 7, 2014 through November 13, 2017.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

#### **The Lending Test is rated: Satisfactory**

This Performance Evaluation assesses FNBOK's performance focusing primarily on five performance criteria: the LTD ratio; lending in the AAs; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate FNBOK's lending performance, all HMDA loans originated in 2014, 2015 and 2016 were reviewed. In addition, a random sample of 27 small business loans and 33 small farm loans originated in 2014 through year-to-date September 30, 2017 were also evaluated. Small business, residential real estate and small farm loans serve as FNBOK's primary loan products. Slightly more weight was given to performance in the Oklahoma County Partial MSA AA since it holds a larger portion of the bank's loans and deposits. Slightly more weight was also given to small business lending performance than home mortgage since small business lending is the bank's largest loan product. Based on this analysis and consistent with available resources and capabilities, FNBOK is meeting the credit needs of the AAs in a satisfactory manner. The bank's LTD exceeds the standard for satisfactory performance. The distribution of loans to businesses, farms and mortgage loans to individuals of different income levels reflects a reasonable penetration and is satisfactory. The geographic distribution of loans reflects an excellent dispersion of loans to low- to moderate-income (LMI) geographies and reflects excellent performance.

#### **Loan-to-Deposit Ratio**

FNBOK's LTD ratio is excellent and exceeds the standard for satisfactory performance. The bank's LTD ratio at September 30, 2017 was 90 percent. The bank's average quarterly LTD ratio from June 30, 2014 through September 30, 2017 was 90 percent. This average was compared to the average of four similar banks located in FNBOK's AA or the surrounding counties, with total assets between \$150 million and \$650 million, for the same time period. FNBOK's average LTD ratio of 90 percent is higher than the average of the four comparable banks of 80 percent. These average LTD ratios are detailed in the following table.

## Loan-To-Deposit Ratios

Institution	Total Assets \$000's (As of 9/30/17)	Average Loan to Deposit Ratio
Valliance Bank	\$374,904	94.41%
<b>First National Bank of Oklahoma</b>	<b>\$409,133</b>	<b>89.75%</b>
Quail Creek Bank, National Association	\$621,241	85.60%
The Eastman National Bank of Newkirk	\$258,130	81.64%
First National Bank and Trust Company, Perry, OK	\$157,243	58.15%

Source: Institution Reports of Condition from June 30, 2014 to September 30, 2017.

### Lending in Assessment Area

FNBOK's lending in its AAs meets the standard for satisfactory performance. A majority of the number and dollar amount of home mortgage, small business and small farm loans were originated in the bank's AAs. As depicted in the following table, 72.89 percent of the number and 90.96 percent of the dollar amount of loans originated in FNBOK's AAs.

Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	437	72.35	167	27.65	604	\$58,577	68.48	\$26,966	31.52	\$85,543
Small Business	27	100.00	0	0.00	27	\$5,298,428	100.00	\$0	0.00	\$5,298,428
Small Farm	20	60.61	13	39.39	33	\$3,134,812	79.33	\$816,915	20.67	\$3,951,727
<b>Totals</b>	<b>484</b>	<b>72.89</b>	<b>180</b>	<b>27.11</b>	<b>664</b>	<b>\$8,491,817</b>	<b>90.96</b>	<b>\$843,881</b>	<b>9.04</b>	<b>\$9,335,698</b>

Source: Data reported for 2014, 2015 and 2016 HMDA and random sample of small business and small farm loans originated in 2015, 2016, and year-to-date September 30, 2017.

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

#### Oklahoma County Partial MSA AA

FNBOK's borrower distribution of business and home mortgage loans is reasonable and meets the standard for satisfactory performance. FNBOK is primarily a small business lender and therefore more weight was placed on the bank's small business lending.

FNBOK's overall distribution of home mortgage loans to LMI families is reasonable in light of performance context issues. LMI families have difficulty qualifying for conventional home mortgage products without flexible terms or reduced closing costs. In FNBOK's Oklahoma County Partial MSA AA, a low-income person earns less than \$32,000 annually, while the average median housing cost in the bank's AA is \$120,034. Consequently, many LMI families choose to rent rather than purchase homes. According to the 2010 US Census data, approximately 47 percent of households in the AA are on fixed income from social security or retirement; and 38 percent of the housing units in the AA are rental property. Nineteen (19) percent of the population in the bank's AA are below the poverty level or on public assistance.

The borrower distribution of home mortgage loans to low-income families reflects poor penetration for all loan products. The borrower distribution of home purchase and home improvement loans to moderate-income families was poor. However, the distribution of home refinance loans was excellent for an overall satisfactory performance. A majority of the mortgage loans originated by the bank were home refinance loans, so more weight was given that products performance. Also, more weight was given to the distribution to moderate-income families as they can more easily qualify for conventional home mortgage products.

<b>Borrower Distribution of Residential Real Estate Loans in Oklahoma County Partial MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	24.44	6.90	18.46	3.45	19.47	20.69	37.64	68.96
Home Improvement	24.44	0.00	18.46	0.00	19.47	0.00	37.64	100.00
Home Refinance	24.44	11.11	18.46	24.44	19.47	8.89	37.64	55.56

Source: Data reported for 2014, 2015 and 2016 HMDA and 2010 Census data.

FNBOK's borrower distribution of loans to small businesses indicates adequate penetration with 59.26 percent of the business loans sampled were to businesses with revenues of less than \$1.0 million. However, note that 10.66 percent of the businesses did not report their revenues.

<b>Borrower Distribution of Loans to Businesses in Oklahoma County Partial MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	82.88	6.46	10.66	100%
% of Bank Loans in AA by #	59.26	40.74	0.00	100%
% of Bank Loans in AA by \$	31.03	68.97	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

## Geographic Distribution of Loans

FNBOK's overall geographic distribution of loans small business and home mortgage loans reflects an excellent dispersion among LMI geographies and exceeds the standard for satisfactory performance.

FNBOK's geographic distribution of home mortgage loans is excellent. The bank's geographic distribution of home loans to low-income geographies reflects a poor dispersion for home purchase and home improvement and an excellent dispersion for home refinance loans. The geographic distribution to moderate-income geographies reflects an excellent dispersion for home purchase and home refinance loans and an adequate dispersion for home improvement loans for an overall excellent dispersion. Note that owner occupancy is only 5.61 percent in low-income tracts making opportunities to provide home mortgage loans in these areas limited.

<b>Geographic Distribution of Residential Real Estate Loans in Oklahoma County Partial MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5.61	0.00	25.15	43.48	34.33	33.33	34.91	23.19
Home Improvement	5.61	0.00	25.15	18.18	34.33	36.36	34.91	45.45
Home Refinance	5.61	6.58	25.15	31.58	34.33	27.63	34.91	34.21

Source: Data reported under HMDA LAR 2014, 2015 and 2016; U.S. Census data.

FNBOK's geographic distribution of business loans in both low- and moderate-income tracts reflects an excellent dispersion as the distribution of business loans in both income tracts exceeded the percentage of small business located in those tracts.

<b>Geographic Distribution of Loans to Businesses in Oklahoma MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Small Business	8.17	33.33	24.01	40.74	31.27	18.52	36.64	7.41

Source: Loan sample; Dun and Bradstreet data.

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

### **Kay County Non-MSA AA**

FNBOK's overall borrower distribution of small business and home mortgage loans is reasonable and meets the standard for satisfactory performance. FNBOK's primarily loan product in the Kay County AA is small farm loans and therefore more weight was placed on the bank's small farm lending.

FNBOK's overall distribution of home mortgage loans to LMI families is satisfactory in light of performance context issues. LMI families have difficulty qualifying for conventional home mortgage products without flexible terms or reduced closing costs. In FNBOK's Kay County Non-MSA AA, a low-income person earns less than \$26,000 annually, while the average median housing cost in the bank's AA is \$74,343. Consequently, many LMI families choose to rent rather than purchase homes. According to the 2010 US Census data, approximately 52 percent of households in the AA are on fixed income from social security or retirement; and 27 percent of the housing units in the AA are rental property. Nineteen (19) percent of the population in the bank's AA are below the poverty level or on public assistance.

The borrower distribution of home mortgage loans to low-income families reflects poor penetration for all loan products. However, the distribution to moderate-income families reflects a good penetration for home purchase, an adequate penetration for home refinance and an excellent penetration for home improvement loans for an overall satisfactory performance. More weight was given to the distribution to moderate-income families as they can more easily qualify for conventional home mortgage products.

<b>Borrower Distribution of Residential Real Estate Loans in Kay County Non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.10	9.09	17.73	15.58	20.49	18.18	41.68	57.14
Home Improvement	20.10	0.00	17.73	29.79	20.49	17.02	41.68	53.19
Home Refinance	20.10	4.63	17.73	13.89	20.49	14.81	41.68	66.67

Source: Data reported for 2014, 2015 and 2016 HMDA and 2010 Census data.

FNBOK's borrower distribution of loans to small farms indicates a reasonable penetration with 95.00 percent of the business loans sampled were to businesses with revenues of less than \$1.0 million. However, note that 1.30 percent of the businesses did not report their revenues.

<b>Borrower Distribution of Loans to Farms in Kay County Non-MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	98.70	0.00	1.30	100%
% of Bank Loans in AA by #	95.00	5.00	0.00	100%
% of Bank Loans in AA by \$	65.21	34.79	0.00	100%

Source: Loan sample; Dun and Bradstreet data.

## Geographic Distribution of Loans

FNBOK's overall geographic distribution of home mortgage and small farm loans reflects an excellent dispersion among low- to moderate-income geographies and exceeds the standard for satisfactory performance.

FNBOK’s geographic distribution of home mortgage loans is outstanding. There are no low-income census tracts in the Kay County Non-MSA AA. The bank’s geographic distribution of home loans to moderate-income geographies reflects an excellent dispersion for home purchase and home refinance and a reasonable dispersion for home improvement.

Geographic Distribution of Residential Real Estate Loans in Kay County Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	21.61	27.06	56.15	47.06	22.24	25.88
Home Improvement	0.00	0.00	21.61	13.46	56.15	76.92	22.24	9.62
Home Refinance	0.00	0.00	21.61	25.98	56.15	51.97	22.24	22.05

Source: Data reported under HMDA LAR 2014, 2015 and 2016; U.S. Census data. .

FNBOK’s geographic distribution of small farm loans in moderate-income tracts is poor with no small farm loans originated in those tracts. Of the 11 census tracts in Kay County, there are no low-income and only three moderate-income tracts. The three moderate-income tracts are primarily industrial areas within the city limits of Ponca City, which explains the small percentage of farms located in moderate-income areas. Opportunities to originate farm loans in the moderate-income is very limited and, therefore, little weight was given to the geographic distribution of farm loans.

Geographic Distribution of Loans to Farms in Kay County Non-MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Small Farm	0.00	0.00	7.83	0.00	72.17	80.00	20.00	20.00

Source: Loan sample; Dun and Bradstreet data.

## Responses to Complaints

There have been no consumer complaints regarding FNBOK’s Community Reinvestment Act during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The bank’s performance under the Community Development Test is rated **“Outstanding.”** FNBOK’s CD performance demonstrates excellent responsiveness to the CD needs of its AAs. A majority of the Oklahoma County Partial MSA AA is comprised of metropolitan, high-density areas



that include Oklahoma City, Edmond, and Midwest City. A majority of the Kay County Non-MSA AA is comprised of rural, low-density areas that include Ponca City and Tonkawa.

FNBOK is active in the communities they serve. This is evidenced by their leadership roles in various civic and non-profit organizations that provide services to LMI individuals. The bank is also involved with, invests in, or lends to individuals or organizations whose focus is on affordable housing, community services, or economic development.

## **Number and Amount of Community Development Loans**

Qualifying CD loans are those that meet the definition of CD, as defined in the CRA regulation. FNBOK's level of CD loans indicates excellent responsiveness to the needs of the bank's AAs.

### **Oklahoma County Partial MSA AA**

The level of qualified CD loans in the Oklahoma County Partial MSA AA reflects excellent responsiveness. The bank has originated or renewed 56 CD loans totaling \$36.2 million during the evaluation period.

FNBOK originated or renewed 40 loans to 11 different borrowers totaling approximately \$26.5 million that provided funding for economic development through creating and retaining permanent LMI jobs in the bank's AA. The 11 borrowers created or maintained 522 LMI jobs.

Examples of some of the CD loans originated by the bank during the evaluation period include two loans to one borrower totaling \$3.3 million to purchase two fast food restaurants that are located in moderate-income areas in the bank's AA. Combined, these restaurants have helped to create or retain 100 permanent LMI jobs. Two loans to one borrower totaling \$5.3 million provided financing for a restaurant and music venue in downtown Oklahoma City. The business has created 72 permanent LMI jobs. The business is also located in the Downtown OKC Business Improvement District (BID). BIDs are designated by the City of Oklahoma City. BIDs are a private/public partnership in which property owners pay a special assessment that pays for supplemental services such as, public safety, maintenance and sanitation, capital improvements, and landscaping and beautification.

Nine loans to eight borrowers totaling \$5.3 million were extended to purchase, refinance, or rehabilitate affordable housing in the AA. The majority of the units in the multi-family complexes financed by the bank rent for rates that are below the median market rents in the area, thus providing housing for LMI individuals. The majority of the complexes are also located in LMI areas.

FNBOK originated or renewed six loans totaling \$4.2 million to four different borrowers that helped revitalize and stabilize parts of the bank's AA. All of properties are located in LMI areas. One loan included financing to purchase and rehabilitate a commercial property that is located in the Capitol Hill Business Improvement District, which is designated by the City of Oklahoma City for economic development. An additional loan included financing to purchase and remediate the environmental issues of a building that had been vacant since 2013. This loan has helped revitalize and stabilize this moderate-income area by providing much needed industrial space for small businesses. The new tenants also employ LMI individuals.

FNBOK originated one community service loan to purchase and rehabilitate a facility that operates a non-profit organization that exists to break the cycles of incarceration and poverty in Oklahoma. The organization provides educational preparation, social services, and job training and placement primarily for LMI individuals.

### **Kay County Non-MSA AA**

The level of qualified CD loans in the Kay County Non-MSA AA reflects excellent responsiveness. The bank has originated or renewed 11 CD loans totaling \$16.1 million that provided funding for economic development through creating and retaining 200 permanent LMI jobs in the bank's AA. Following are details on some of the CD loans originated by the bank during the evaluation period.

The bank has formed a subsidiary, Tonkawa Business Incubator, LLC. (TBI), to own two properties in downtown Tonkawa for the purpose of providing real estate for local businesses needing a facility during their start-up period. TBI is certified by the Oklahoma Department of Commerce to operate as a certified Small Business Incubator. The Tonkawa Development Authority works with TBI to identify start-up businesses that are in need of low cost real estate in which to start their business. The tenants are only required to pay nominal costs associated with the real estate. TBI provides necessary office space and essential office equipment and supplies. Two former tenants of TBI have since financially matured and have relocated to their own facilities. The former tenants are both energy support companies that have created a total of 10 jobs for individuals in the AA. TBI also owns an additional building that provides a low-cost home to a local restaurant who maintains 10 part-time positions that are all considered LMI jobs. FNBOK extended a \$147,269 loan to renovate these properties.

FNBOK provided \$3.2 million in financing for the construction and later the permanent financing for a new hotel in the Kay County AA. The hotel, once fully operational, will create seven permanent LMI jobs.

### **Number and Amount of Qualified Investments**

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose CD, as defined in the CRA regulations. FNBOK's level of CD investments reflects excellent responsiveness to the needs of the bank's AAs.

### **Oklahoma County Partial MSA AA**

The level of qualified CD investments in the Oklahoma County Partial MSA AA reflects adequate responsiveness.

FNBOK made a \$500,000 investment in MetaFund. MetaFund is a CRA qualified Community Development Financial Institution (CDFI) and a Community Development Entity (CDE). MetaFund provides assistance with financing and credit services for businesses throughout the Oklahoma County AA. Their focus is primarily on minority or women owned small businesses, businesses owned by low-income individuals and businesses in low-income communities.

FNBOK has also donated \$102,880 to 13 qualified organizations in the Oklahoma County Partial MSA AA during the review period. Donations have been made to local non-profit organizations that provide social services, youth programs, job skills and housing needs that target LMI

individuals. Donations have also been made to organizations that provide economic development support in the AA.

### **Kay County Non-MSA AA**

The level of qualified CD investments in the Kay County Non-MSA AA reflects excellent responsiveness.

During the evaluation period, FNBOK invested in nine CD qualified municipal securities, totaling \$3.1 million that will finance the construction, renovation and repair of school buildings, and new transportation for students in the Ponca City and Tonkawa Schools. More than 50 percent of the student populations in the area schools qualify for the federal free or reduced-price lunch program.

FNBOK has also donated \$78,643 to nine qualified organizations in the Kay County Non-MSA AA during the review period. Donations have been made to local non-profit organizations that provide social services, youth programs, job skills and housing that target LMI individuals. Donations have also been made to organizations that provide economic development support for local businesses and activities in the AA.

## **Extent to Which the Bank Provides Community Development Services**

Overall, FNBOK's CD service activity reflects adequate responsiveness in the AAs.

### **Oklahoma County Partial MSA AA**

The level of qualified CD services reflects adequate responsiveness to the needs of the bank's AA. Five bank officers serve in leadership positions in nine organizations that are involved in economic or small business development activities or in organizations that provide community services to LMI families. They provide technical and financial assistance to these organizations. The following are examples of qualifying CD services.

#### ***Boys & Girls Club of Oklahoma County***

A bank officer serves as board member and also as Board Chairman of the Boys & Girls Club of Oklahoma County. The Boys & Girls Club offers daily access to a broad range of programs designed to strengthen character and leadership development, education and career development, as well as health and life skills.

#### ***Western Avenue Association***

A bank officer serves as board member of this association, providing general oversight regarding programming, budgeting and fundraising efforts. The Western Avenue Association is part of the City of Oklahoma City's Commercial District Revitalization Program (CDRP). The CDRP provides opportunities and assistance for local businesses to create vibrant destinations in which to live, work and shop. The majority of the districts have some history with blight or deteriorating neighborhoods. The association has played an important role in the economic development of several LMI geographies within its boundaries.

#### ***Oklahoma City Medical District (OCMD)***

A bank officer serves as the Board Chairman for the OCMD. The OCMD promotes and identifies economic development opportunities related to the corridor anchored by St. Anthony Hospital on the west and the University of Oklahoma Medical Center on the east. The OCMD was formed to address St. Anthony Hospital's concern about the poor state of the neighboring communities.

#### ***United Way of Central Oklahoma***

A bank officer serves as a Trustee of the United Way of Central Oklahoma. As a trustee, he provides guidance to the Executive Director and leadership team on financial matters, strategic planning, program evaluations and fundraising. The United Way of Central Oklahoma works to help improve the health, safety, education and economic well-being of at-risk individuals and families in the Oklahoma City area. The services provided by and the funding passed through the United Way help support numerous partner agencies that primarily benefit LMI persons.

#### ***Positive Tomorrows, Inc.***

A bank officer serves as a Finance Committee Member for Positive Tomorrows, Inc. Positive Tomorrows is Oklahoma's only elementary school specifically targeted for homeless children or children ascertained to be at-risk for homelessness.

## **Kay County Non-MSA AA**

The level of qualified CD services reflects adequate responsiveness to the needs of the bank's AA. Four bank officers serve in leadership positions in seven organizations that provide either community services to LMI families or are involved in economic and small business development activities. They provide technical and financial assistance to these organizations. The following are examples of qualifying CD services.

### ***Wheatland Resource Conservation and Development (RC&D)***

A bank officer serves as board member and also as Chairman of the Finance Committee for RC&D. RC&D is a non-profit organization that serves a number of counties, including Kay County. RC&D works to promote and enhance economic development of rural areas, support local community leaders, and promotes a safe and quality living environment. RC&D works with local banks and REI Oklahoma in assisting entrepreneurs establishing new businesses or expanding existing businesses by providing them with the equity necessary to qualify for bank financing.

### ***Serving and Working in Faith Together (S.W.I.F.T.)***

A bank officer served as the past-President and is currently serving as Vice President of S.W.I.F.T. They are also a board member of this organization. S.W.I.F.T primarily provides services for victims of domestic violence and provides backpacks to schools for weekend food distribution to LMI students. S.W.I.F.T. also donates resources to local food banks to assist LMI families and provides baby items to teen mothers.

### ***Marland Children's Home***

A bank officer serves on the Board of Directors of Marland Children's Home and is currently a member of the Finance Committee. The Marland Children's Home provides a safe, nurturing home, education services, counseling and treatment services, job training and general life skills for young men and women between the ages of 11 and 18. These children are wards of the State of Oklahoma and many of them have previously been victims of neglect and abuse.

## **Responsiveness to Community Development Needs**

Overall, FNBOK has demonstrated excellent responsiveness to the identified needs and opportunities throughout their AAs. The level of CD activities is excellent with \$52.2 million in CD loans and \$3.8 million in qualified investments and donations. Bank officers have taken leadership roles in the community with their involvement in organization that provide community services to LMI persons and promote economic development.

# Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD loans): (01/01/14 to 09/30/17) Investment and Service Tests and CD Loans: (04/07/14 to 11/13/17)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Oklahoma (FNBOK) Oklahoma City, OK.	Small Business Loans Small Farm Loan Home Mortgage Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>[Instructions: Provide only if affiliate products are reviewed.]</i>  N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Oklahoma County Partial MSA Kay County Non- MSA	Full-Scope Full-Scope	

## Appendix B: Community Profiles for Full-Scope Areas

The AAs adopted by FNBOK consists of whole geographies; do not reflect illegal discrimination; and, do not arbitrarily exclude low- or moderate-income geographies. The AAs meet the requirements of the CRA regulation. In addition to the main bank and one branch in Oklahoma City, FNBOK has two additional branches, one in Ponca City and one in Tonkawa, which has resulted in the bank having two AAs. The Ponca City and Tonkawa branches are both located in Kay County in northern Oklahoma. The census tracts in the trade area surrounding these two branches constitute the Kay County non-MSA AA. The Oklahoma City branches are both located in Oklahoma County within the Oklahoma County Partial MSA AA.

### Oklahoma County Partial MSA AA

Demographic Information for Full-Scope Area: Oklahoma County Partial MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	241	12.45	32.37	31.12	22.82	1.24
Population by Geography	718,633	9.20	32.08	30.42	28.17	0.13
Owner-Occupied Housing by Geography	172,276	5.61	25.15	34.33	34.90	0.01
Businesses by Geography	57,033	8.17	24.01	31.27	34.64	1.91
Farms by Geography	1,170	4.79	20.85	31.28	42.65	0.43
Family Distribution by Income Level	173,643	24.44	18.46	19.47	37.63	0.00
Median Family Income	= \$61,570	Median Housing Value		= \$120,034		
HUD Adjusted Median Family Income for 2016	= \$63,700	Unemployment Rate		= 4.12%		
Households Below the Poverty Level	= 15.13%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

FNBOK has defined their Oklahoma County Partial MSA AA as Oklahoma County in its entirety, consisting of 241 census tracts. Of these, 30 are low-income census tracts, 78 are moderate-income census tracts, 75 are middle-income census tracts, 55 are upper-income census tracts, and for three census tracts income data is unknown. Population of the area totals 718,633. There are 317,600 total housing units, of which 172,276 or 54 percent are owner occupied. Households below the poverty level total 42,272 or 15.13 percent and households that receive public assistance total 9,690 or 3.47 percent of the total number of households.

The economic conditions in the Oklahoma City MSA AA are stabilizing. The economic downturn in the energy sector over the past several years had a negative impact on local businesses and families in the AA. However, recent improvement in the energy sector has boosted the local economy and positively impacted families in the AA. Average unemployment for the area remains low. The Bureau of Labor Statistics reports an unemployment rate for Oklahoma County of 4.4 percent as of October 31, 2017. Major employers are oil and natural gas companies, as well as

services, technology, hospitals, and universities. The Federal Government also employees a large number of workers at Tinker Air Force Base and The United States Department of Transportation.

Local banking competition in the Oklahoma City market is aggressive and includes several community, regional, and nation-wide banks and/or branches of these financial institutions.

In conducting the assessment of the bank’s performance, community contacts made within the AA were reviewed. The contacts indicated that, In general, local financial institutions are involved in CD activities and meet the credit needs of the community. According to the contacts, the primary community development needs of Oklahoma City continue to be quality jobs, affordable housing, and transportation.

### **Kay County Non-MSA AA**

Demographic Information for Full-Scope Area: (Name of Multistate Metropolitan Area)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	11	0.00	27.27	54.55	18.18	0.00
Population by Geography	46,562	0.00	27.02	55.59	17.39	0.00
Owner-Occupied Housing by Geography	13,115	0.00	21.61	56.15	22.24	0.00
Businesses by Geography	2,534	0.00	27.86	53.35	18.79	0.00
Farms by Geography	230	0.00	7.83	72.17	20.00	0.00
Family Distribution by Income Level	12,296	20.10	17.73	20.49	41.68	0.00
Median Family Income						
HUD Adjusted Median Family Income for 2016	= \$49,581					
Households Below the Poverty Level	= \$51,600					
	= 15.77%					
			Median Housing Value			= \$74,343
			Unemployment Rate			= 5.5%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census, and 2016 HUD updated MFI.

FNBOK has defined their Kay County Non-MS AA as the southern and western portions of Kay County in northern Oklahoma, consisting of 11 census tracts. These tracts include the cities of Ponca City and Tonkawa. Of these, there are no low-income census tracts, three moderate-income census tracts, six middle-income census tracts, and two upper-income census tracts. Total population of the tracts is 46,562. Of the 21,759 total housing units in the Kay county AA, 13,115 or 60.27 percent are owner occupied. Households below the poverty level total 2,902 or 15.77 percent and households that receive public assistance total 596 or 3.24 percent of the total number of households.

The economy in the Kay County is primarily driven by oil production and the agriculture industry. The economy has been negatively impacted by low energy and agriculture commodity prices. Energy prices, while low, have stabilized in the last year allowing for an economic recovery. Ponca City’s largest employers include Phillips 66 Refinery, Ponca City Public Schools, Ponca City



Medical Center, City of Ponca City, Smith Technologies, Dorada Foods, Mertz Manufacturing, Air Systems Components, Evans & Associates, and Supported Community Lifestyles. Increased oil and gas production, coupled with industrial and commercial development, has created new jobs in the community.

Competition in the Ponca City and Tonkawa markets is also competitive as there are several community banks and branches of regional and nation-wide banks located in this AA.

A community contact was also conducted during this review to help ascertain the credit needs of the Kay County AA. The contact expressed an urgent need for more affordable housing in the community, particularly given the availability of jobs. They indicated the city's housing stock was old, and that the city's need and interest in spurring residential development presents an opportunity for banks to address. According to the contact, the local banks support commercial and industrial developments and are actively involved in sponsoring community activities.