



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

February 2, 2009

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank  
Charter Number 14986**

**2911 South Air Depot  
Midwest City, Oklahoma 73110**

**Assistant Deputy Comptroller  
Kyle M. Jones  
Office of the Comptroller of the Currency  
Oklahoma City Field Office  
Harvey Parkway Building, Suite 490  
301 NW 63<sup>rd</sup> Street  
Oklahoma City, Oklahoma 73116**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## ***INSTITUTION'S CRA RATING***

### **This institution is rated Satisfactory**

The major factors supporting the institution's rating include the following;

- A majority of the bank's loans were originated within the bank's assessment area (AA);
- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance;
- The bank's distribution of loans reflects reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance;
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA and meets the standard for satisfactory performance; and,
- FNB's community development performance demonstrates satisfactory responsiveness to the community development needs of its AA.

### **Scope of Examination**

The evaluation of the bank's lending performance included a review of Home Mortgage Disclosure Act (HMDA) reportable loans (home purchase, home improvement and home refinance), small business loans and vehicle loans. FNB's home mortgage and small business lending was evaluated using data for the period between January 1, 2007 through December 31, 2008. Vehicle loans sampled were originated in the years 2007 and 2008. These are major loan products for the bank. For community development loans, investments and services, the evaluation period was April 25, 2005 through February 2, 2009.

A Data Integrity examination was conducted in May 2008 to evaluate the bank's process to accurately collect and report HMDA loan data. We found the bank had a good process, along with effective internal controls, to accurately collect and report HMDA information. As a result, HMDA submitted data was used during this CRA review to assess lending performance.

## **DESCRIPTION OF INSTITUTION**

The First National Bank (FNB) is an intrastate bank headquartered in Midwest City, Oklahoma. All of its branch locations are located within the Oklahoma City metropolitan area. FNB is wholly owned by First Midwest Acquisition Corporation, a one-bank holding company also located in Midwest City, Oklahoma. The main bank, ATM, and drive-up facility are located at 2911 South Air Depot, Midwest City, Oklahoma. The tables below provide information on FNB's branch and ATM locations.

<b>First National Bank of Midwest City Branch Locations</b>		
Main Bank	2911 S. Air Depot*	Midwest City
Midwest City - Douglas	1213 S. Douglas	Midwest City
Tinker A.F.B.	Building 685	Midwest City
Tinker A.F.B.	Building 3001	Midwest City
Del City	4330 S.E. 29 <sup>th</sup> Street*	Del City
Moore	604 S. Classen, Suite G	Moore
Choctaw	15801 N.E. 23 <sup>rd</sup> Street*	Choctaw
Country Boy Grocery	20941 S.E. 29 <sup>th</sup> Street	Harrah

*\* Branch locations with Drive-up facilities.*

<b>First National Bank of Midwest City ATM Locations</b>		
Corner Market	115 S. Westminister	Midwest City
Crest Discount Foods #1	7212 East Reno	Midwest City
Carl Albert High School	2009 Post Road	Midwest City
Drive-Up ATM	1213 S. Douglas	Midwest City
Douglas Branch	1213 S. Douglas	Midwest City
Hometown Market	2001 N.E. 23 <sup>rd</sup>	Midwest City
Midwest Regional Medical Center	2825 Parklawn Drive (2 ATMs)	Midwest City
Tinker Air Force Base	Building 3001, Area "C"	Midwest City
Tinker Air Force Base	BX Mall	Midwest City
Tinker Air Force Base	Commissary	Midwest City
Tinker Air Force Base	Navy Complex/Mini Mart	Midwest City
Tinker Air Force Base	Service Station	Midwest City
Tinker Air Force Base	Vanaway Dining Hall, Bldg. 5905	Midwest City
Del City Drive-Up	4303 S.E. 15 <sup>th</sup> Street	Del City
Del City Branch	4330 S.E. 29 <sup>th</sup> Street	Del City
Jiffy Stop	Memorial and Bryant	Oklahoma City
Moore Branch	604 S. Classen, Suite G	Moore
Choctaw Branch	15801 N.E. 23 <sup>rd</sup> Street	Choctaw
Country Boy Grocery	20941 S.E. 29 <sup>th</sup> Street	Harrah
Country Boy #9	18450 East Highway 9	Little Axe

As of December 31, 2008, FNB reported total assets of \$359 million, Tier 1 capital of \$36 million,

and a loan-to-deposit ratio of 52 percent. Gross loans were reported to be \$159 million, or 44 percent of total assets. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate	\$53,207	32.82
Residential Real Estate	\$56,259	34.70
Commercial and Industrial	\$25,689	15.85
Individual Loans	\$24,254	14.96
Other	\$2,712	1.67
Total	\$162,121	100.00

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its (AA). A "**Satisfactory**" rating was assigned at the last Community Reinvestment Act review, which was performed as of April 25, 2005.

The bank's primary focus is to serve commercial and consumer customers in its AA. FNB meets these needs by providing various types of loan and deposit products and services. The ability to lend in its AA continues to be impacted by very strong competition from a substantial number of other banks and financial institutions, or branches of those institutions.

## ***DESCRIPTION OF ASSESSMENT AREA***

FNB's AA consists of 43 census tracts in Oklahoma County and 4 census tracts in Cleveland County. Both counties are part of the Oklahoma City MSA, which is comprised of six counties in total. Of the 47 census tracts in FNB's AA, no tracts are low-income, 18 tracts are moderate-income, 21 tracts are middle-income, and 8 tracts are upper-income.

According to the 2000 U.S. Census Data, FNB's AA has a population of 150,200. Additionally, there were 41,958 families and 58,390 households. Of the 41,958 families, 20.21 percent, 20.79 percent, 23.62 percent, and 35.37 percent report low, moderate, middle and upper-income, respectively. The median family income for the AA is \$44,898 and HUD's 2007 updated MSA Median Family Income is \$53,600. The AA contains 63,164 housing units with 40 thousand or 63 percent being owner occupied. Households below the poverty level are 11 percent and households that receive public assistance total 5 percent.

The local economy is good. The economy in Midwest City is largely dependent upon consumer goods and service businesses to the military. Midwest City continues to experience moderate growth, primarily fueled by Tinker Air Force Base. Unemployment remains low. The real estate market continues to be robust and to date has not experienced the significant slow down other parts of the country are experiencing. The major employers in the AA are Tinker Air Force Base, Mid-Del Public Schools, Midwest Regional Medical Center, Rose State College, and The Boeing Company.

Local banking competition includes several other national and state chartered banks and branches of other banks and financial institutions.

A community contact was conducted during this review to ascertain community credit needs, to determine bank involvement in the community, and to gather local economic and demographic information. The contact felt that the local economy is good. The local economy benefits from continued growth from Tinker Air Force Base. Retail sales continue to be good for local retailers; however, national retailers are struggling. There continues to be new industries and businesses locating to the Midwest City area and surrounding municipalities. The real estate market also remains good according to the contact. According to the contact, the immediate credit need is affordable housing, both rental and owner occupied. The contact stated the local banks are very involved in community development projects.

Selected information about the demographics of FNB’s AA is detailed in the table below.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF FNB'S AA</b>	
<b>Population</b>	
Number of Families	41,958
Number of Households	58,390
<b>Geographies</b>	
Number of Census Tracts/BNA	47
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	38.30%
% Middle-Income Census Tracts/BNA	44.68%
% Upper-Income Census Tracts/BNA	17.02%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$44,898
2008 HUD-Adjusted MFI	\$53,600
<b>Economic Indicators</b>	
Unemployment Rate	2.59%
2000 Median Housing Value	\$66,542
% Of Households Below Poverty Level	11.10%

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### LENDING TEST

The bank's performance under the Lending Test is rated **“Satisfactory.”**

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

FNB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. FNB's loan-to-deposit ratio at September 30, 2008 was 51.21 percent. The bank's average quarterly loan-to-deposit ratio from March 31, 2005 through September 30, 2008 was 50.65 percent. This average was compared to the average of four similar banks located in the FNB's AA with total assets between \$200 million and \$500 million, for the same time period. These average loan-to-deposit ratios are listed in the following table:

INSTITUTION	ASSETS (AS OF 9/30/08) (\$000's)	AVERAGE LTD RATIO
<i>First National Bank of Midwest City, OK</i>	\$355,889	50.65%
Kirkpatrick Bank, Edmond, OK	\$494,830	83.45%
The Citizens Bank of Edmond, OK	\$343,305	83.84%
Republic Bank & Trust, Norman, OK	\$319,267	88.16%
Quail Creek N.A., Oklahoma City, OK	\$395,142	98.06%

*Source: Institution Reports of Condition from March 31, 2005 to September 30, 2008*

Several factors contribute to FNB's loan-to-deposit being less than the comparable banks. FNB's ratio is negatively impacted by large public funds holdings that averaged between \$45 million to \$55 million during the evaluation period. Also, FNB sells mortgage loans to the secondary market. Loans sold totaled \$11.3 million in 2005, \$11.6 million in 2006, \$7.6 million in 2007, and \$5.1 million in 2008. Furthermore, FNB is predominately a consumer lender and does not have the high commercial real estate concentrations like some of the comparable banks.

**Lending in Assessment Area**

FNB’s lending in its AA meets the standard for satisfactory performance. A majority of the number and dollar amount of home mortgage, small business and vehicle loans were originated within the bank’s AA. As depicted in the table below, 62.31 percent of the number and 52.63 percent of the dollar amount of loans were originated in FNB’s AA.

LENDING IN AA										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	339	66.73%	169	33.27%	508	\$14,946	56.53%	\$11,492	43.47%	\$26,438
Small Business	246	56.04%	193	43.96%	439	\$40,927	51.20%	\$39,007	48.80%	\$79,934
Vehicle Loans	30	75.00%	10	25.00%	40	\$396	72.79%	\$148	27.21%	\$544
<b>Totals</b>	<b>615</b>	<b>62.31%</b>	<b>372</b>	<b>37.69%</b>	<b>987</b>	<b>\$56,269</b>	<b>52.63%</b>	<b>\$50,647</b>	<b>47.37%</b>	<b>\$106,916</b>

Source: Sample of 2007- 2008 HMDA, small business and vehicle loans.

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

FNB’s borrower distribution of small business loans, home mortgage loans and vehicle loans in the AA is reasonable and meets the standard for satisfactory performance.

FNB’s borrower distribution to businesses with revenues of \$1 million or less is satisfactory. The percentage of bank loans by dollar and number exceeded the percentage of reporting businesses with revenues of \$1 million or less in the AA. However, note that 31.88 percent of the businesses in the AA did not report income data.

BORROWER DISTRIBUTION OF LOANS TO BUSINESSES				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.36%	3.76%	*31.88%	100%
% of Bank Loans in AA by #	87.03%	12.97%	0.00%	100%
% of Bank Loans in AA by \$	79.98%	20.02%	0.00%	100%

Source: Loan sample of 2007-2008 CRA loans; Dunn and Bradstreet data.

\* 31.88% of the businesses did not report income data.

The bank’s distribution of home mortgage loans is satisfactory. While the percentage of home mortgage loans to low-income borrowers is less than the percentage of low-income families in the AA, this performance is not unreasonable in light of the fact that low-income families have a difficult time qualifying for conventional home mortgage products. The distribution of home mortgage products to moderate-income borrowers is satisfactory as the percentage of home mortgage products extended is near to the percentage of moderate-income families in the AA



BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS								
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	20.21%	11.11%	20.79%	15.56%	23.62%	24.44%	35.38%	48.89%
Home Improvement	20.21%	11.24%	20.79%	19.66%	23.62%	26.40%	35.38%	42.70%
Home Refinance	20.21%	7.76%	20.79%	14.66%	23.62%	25.86%	35.38%	51.72%

Source: Data reported under 2007-2008 HMDA; U.S. Census data.

The distribution of vehicle loans to low-income borrowers is less than the percentage of low-income households in the AA. However, the percentage of vehicle loans to moderate-income borrowers exceeds the percentage of moderate-income households in the AA for an overall satisfactory performance.

BORROWER DISTRIBUTION OF VEHICLE LOANS								
Borrower Income Level	Low		Moderate		Middle		Upper	
% of AA Households	20.82%		17.94%		21.62%		39.62%	
Vehicle Loans	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Totals	20.00%	11.60%	43.33%	44.99%	13.33%	8.56%	23.34%	34.85%

Source: Loan sample of 2007- 2008 vehicle loans.

The bank offers a consumer loan product, **Second Chance Program**, which targets military personnel and is offered through the Tinker Air Force Branch. The purpose of the program is to help those who have come into financial distress and would not qualify under normal underwriting standards but deserve a second chance. The bank has originated 5 loans totaling \$27 thousand under this program.

**Geographic Distribution of Loans**

The overall geographic distribution of loans is reasonable and meets the standard for satisfactory performance. FNB’s geographic distribution of small business, home mortgage and vehicle loans in FNB’s AA is reasonable. There are no low-income census tracts in FNB’s AA. As a result, less weight was given to the geographic distribution and more weight was given the income distribution when assessing the bank’s overall lending performance.

The geographic distribution of small businesses loans in the moderate-income tracts is less than the percentage of small businesses located in those tracts.

GEOGRAPHIC DISTRIBUTION OF LOANS TO BUSINESSES								
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 Loans	0.00%	0.00%	28.56%	17.99%	54.43%	58.58%	17.01%	23.43%

Source: Loan sample of 2007-2008 small business loans; Dunn and Bradstreet data.

The geographic distribution of home mortgage loans in moderate-income tracts is satisfactory as the percentage of home mortgage loans extended in moderate-income tracts is near to the percentage of owner occupied housing in those tracts.

GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS								
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%	25.99%	22.22%	53.16%	46.67%	20.85%	31.11%
Home Improvement	0.00%	0.00%	25.99%	24.72%	53.16%	55.62%	20.85%	19.66%
Home Refinance	0.00%	0.00%	25.99%	15.52%	53.16%	62.07%	20.85%	22.41%

Source: 2007-2008 HMDA loans; 2000 U.S. Census data.

The distribution of vehicle loans to moderate-income tracts is excellent as the percentage of loans made in moderate -income tracts exceeds the percentage of households in those tracts.

GEOGRAPHIC DISTRIBUTION OF VEHICLE LOANS								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20.82%	0.00%	17.94%	30.00%	21.62%	63.33%	39.62%	6.67%

Source: Loan sample of 2007 and 2008 vehicle loans.

### Responses to Complaints

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

## **COMMUNITY DEVELOPMENT TEST**

### **CD Loans, Qualified Investments, and CD Services Test**

The bank's performance under the Community Development Test is rated **"Satisfactory."**

Opportunities for qualified community development loans and investments are very limited in the bank's AA. Many of the bank's branches are located in rural low-density areas. The largest city in the AA is Midwest City, which has a population of only 54,000.

FNB is very active in the communities they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to low- and moderate-income individuals. The bank is also involved with, invests in, or lends to organizations whose focus is on community or economic development. FNB has made a significant financial commitment to the local hospital, a major health care provider for rural communities and counties in central Oklahoma. The bank has been very active in holding leadership positions and making significant donations to the Midwest City, Choctaw, Harrah and Moore Chambers of Commerce, which are primarily involved in economic development and small business creation.

#### ***Community Development Loans***

Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

FNB extended a \$1.7 million loan to the Choctaw Utilities Authority for essential community wide infrastructure. Choctaw is a rural community 20 miles east of Midwest City with a population of approximately 4,000. Critical infrastructure addressed by this loan included water and sewer plant improvements and road improvements. While not meeting the size test, FNB extended 5 additional loans totaling \$665 thousand to the Choctaw Utilities Authority for other essential infrastructure projects.

FNB extended a \$1 million loan to a local church to build a youth center. Youth programs conducted by the church primarily benefit at risk and youth from low- and moderate-income families. The church and youth center are located in a FEMA designated disaster area.

FNB purchased a \$2.9 million participation in a \$9.8 million loan to purchase approximately 90 acres of blighted land in downtown Midwest City. This property is blighted and is designated as a disaster area by FEMA as a result of the May 3, 1999 tornado. The city of Midwest City has developed a formal redevelopment plan for this parcel of land.

While not meeting the size test, the bank has made four loans totaling \$1.9 million to small businesses who have located in the Midwest City Downtown Redevelopment Area. This area is also a FEMA designated disaster area as a result of the May 3, 1999 tornado. These small business loans have helped facilitate Midwest City's formal redevelopment plan to create jobs and locate retail and commercial businesses to this distressed area.

FNB purchased a \$300 thousand loan participation in a \$10.2 million construction loan to develop a 14,000 square foot building in downtown Oklahoma City into commercial offices and residential condominiums. The property is located in the Oklahoma City downtown Enterprise Zone. An Enterprise Zone is a specific geographic area targeted for economic revitalization. Enterprise Zones encourage economic growth and investment in distressed areas by offering tax advantages and incentives to businesses locating within the zone boundaries. This project will revitalize a low- to moderate-income area and create new jobs in accordance with the objectives of the Enterprise Zone.

### ***Community Development Investments***

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation. During the evaluation period, the bank made over 150 qualified donations totaling \$151 thousand in FNB's AA.

In addition, the bank made a prior period \$500 thousand equity investment in the Oklahoma MetaFund, which is a non-profit, multi-bank funded community development, private equity and venture capital firm. The mission of the MetaFund is to retain or create jobs for low-income and other underserved people, create affordable housing, and to provide other direct services and benefits for underserved areas throughout Oklahoma.

### ***Community Development Services***

The level of qualified community development services is outstanding. Bank officers have served in leadership positions on organizations that provide community services to low- and moderate-income families and provided technical expertise and financial assistance to these organizations. Bank officers also serve in leadership positions on organizations that are involved in economic and small business development activities. The following are examples of qualifying community development services.

- ***Midwest City, Choctaw, Moore, and Harrah Chambers of Commerce***

Bank officers serve as Board members on the Chambers of Commerce in the communities FNB serves. These Chambers are active in economic and business development efforts. The Midwest City Chamber of Commerce was successful during the evaluation period in redeveloping 90 acres with retail and commercial development that was devastated by the May 3, 1999 tornado. This redevelopment has created numerous low- to moderate-income jobs in the retail and food service industries and increased the tax base of the city.

- ***Mid-Del Public Schools Foundation***  
A bank officer serves on the Allocation Committee for this non-profit organization. Mid-Del Public Schools Foundation is dedicated to improving the quality of education in the Midwest City-Del City Public School system. Its purpose is to raise money from the private sector to support and enhance educational activities and purchase equipment and materials that are not part of the normal school budget. Many of the programs assist children from low- and moderate-income families and at-risk kids. The Foundation evaluates areas of greatest need to assist students to develop their potential and to make them happy and productive members of society.
- ***New Beginnings***  
A bank officer serves as a Board member of this organization. New Beginnings provides domestic violence services to those whose lives have been affected by domestic violence. Some who use services provided are in physical danger. Others are living with controlling partners in relationships that are emotionally abusive.
- ***Autumn House***  
A bank officer facilitates grant applications for this non-profit organization. This organization provides affordable housing to senior citizens who want to remain independent. Rent is based on income and all utilities are paid.
- ***Midwest City Home Rehabilitation Loan Program***  
The City of Midwest City developed an interest free loan program for housing rehabilitation and home improvements. The program is available to Midwest City residents who owned or lived in their home for the last two years, are income eligible, and have a good repayment history on past and present debts. FNB has been involved in this program since its inception, providing the Grants Management division with analysis of credit reports, debt-to-income analysis, and general loan underwriting guidance. Over the past five years, twenty-five home owner applications have been approved and over \$178,000 have been loaned to repair homes.

### ***Fair Lending or Other Illegal Credit Practices Review***

We found no evidence of discriminatory or other illegal credit practices with helping to meet community credit needs.