



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 27, 2009

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

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

**1501 East Prospect Avenue
Ponca City, Oklahoma 74604**

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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

Satisfactory

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

- A substantial majority of the bank's loans were originated within the bank's assessment areas (AAs);
- 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; and,
- The geographic distribution of loans reflects a reasonable dispersion throughout the AAs and meets the standard for satisfactory performance.

SCOPE OF EXAMINATION

To assess First National Bank of Oklahoma's performance under the Community Reinvestment Act (CRA) regulations, we analyze the bank's activities in and around its declared assessment area (AA). The Bank's AA is divided into two distinct areas for review. The Oklahoma County AA and the Kay County AA each received a full scope review. In full scope reviews, the data used to evaluate performance under each test is analyzed considering complete performance context information, quantitative factors (eg: lending volume, distribution of branches, geographical and borrower distribution) and qualitative factors (eg: innovation and complexity of products offered). Full scope reviews are conducted in AA where the bank has a substantial share of its deposit and loan business. The Oklahoma County AA contains 52 percent of the bank's loans and 38 percent of the bank's deposits. The Kay County AA contains 48 percent of the bank's loans and 62 percent of the deposits.

The full scope review of the Oklahoma County AA included a review of Home Mortgage Disclosure Act (HMDA) reportable loans (home purchase, home refinance and home improvement loans), and small business loans originated in 2007, 2008, and through the second quarter of 2009. The full scope review of the Kay County AA included a review of Home Mortgage Disclosure Act (HMDA) reportable loans (home purchase, home refinance and home improvement loans), and small farm and small business loans originated in 2007, 2008, and through the second quarter of 2009. These are major loan products in the respective AAs.

The OCC did not verify the data integrity of the HMDA data; however, ABS Consulting Services LLC performs an independent audit of the HMDA data annually. The last review was performed in August 2008. In addition, the compliance officer performs a quarterly review of data integrity of HMDA data. We relied on the bank's program to ensure data integrity.

DESCRIPTION OF INSTITUTION

First National Bank of Oklahoma (FNBO) is headquartered in Ponca City, Oklahoma. The bank is 100 percent owned by First Bancorp of Oklahoma, Inc., a one-bank holding company, also headquartered in Ponca City, Oklahoma.

FNBO has three operating locations. The main office is located at 1501 East Prospect Avenue, Ponca City, Oklahoma. Full-service branches are located at 101 West Grand, Tonkawa, Oklahoma and at 5625 North Western Avenue, Oklahoma City, Oklahoma. The Oklahoma City branch was opened at its current location in May 2004. Automated Teller Machines (ATM) are located adjacent to the main bank and Tonkawa branch bank as well as at 3150 East Highway 60 in Ponca City and 1315 North Main in Tonkawa. The bank also offers Internet and telephone banking and bank by mail as alternative distribution methods. FNBO's primary focus in the Kay County AA (which includes the Ponca City and Tonkawa banking centers) is to provide various financial services to commercial, agricultural and consumers. The primary focus in the Oklahoma City AA is the provision of financial services to small commercial businesses. Consumer lending is offered at the Oklahoma City branch; however, it is primarily provided as an accommodation for commercial customers. Hours of operation are responsive to the general banking needs of the areas served.

As of June 30, 2009, FNBO's total assets equaled \$198 million, of which \$138 million, or 70 percent, were composed of various types of loans to individuals and commercial businesses. The bank's loan portfolio is segmented as follows:

LOAN CATEGORY	\$ (000)	%
Commercial Real Estate Loans	\$ 71,868	51.80
Residential Real Estate Loans	\$ 24,515	17.67
Commercial Loans	\$ 16,676	12.02
Agriculture Loans	\$ 15,978	11.52
Consumer Loans	\$ 8,555	6.17
Other Loans	\$ 1,140	0.82
Total	\$138,732	100.00

Source: 6/30/09 Uniform Bank Performance Report

There are no legal or financial impediments to FNBO's ability to meet the credit needs of their Assessment Areas (AAs). The bank's CRA performance was last evaluated as of March 7, 2005, with a "***Satisfactory***" rating assigned.

DESCRIPTION OF ASSESSMENT AREA(S)

The AAs adopted by FNBO 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. FNBO has three branches, one in Ponca City, one in Tonkawa, and one in Oklahoma City, which has resulted in the bank having two AA. The volume of lending activities and deposit generation is split nearly equally between the two AA. Therefore, equal weight was placed on each assessment area when determining the conclusions with respect to the performance criteria.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE OKLAHOMA CITY AA	
Population	
Number of Families	43,071
Number of Households	78,334
Geographies	
Number of Census Tracts	75
% Low-Income Census Tracts	14.67
% Moderate-Income Census Tracts	30.67
% Middle-Income Census Tracts	24.00
% Upper-Income Census Tracts	25.33
NA	5.33
Median Family Income	
Census MSA Median Family Income	\$44,898
HUD Updated MSA Median Family Income	\$55,300
Economic Indicators	
% Unemployment Rate	2.46
Median Housing Value	\$83,600
% of Households Below Poverty Level	15.28

Source: 2000 U.S. Census

FNBO has defined their Oklahoma County AA as portions of central, north, and northwest Oklahoma City and western portions of Edmond, all located in Oklahoma County, consisting of 75 census tracts. Of these, eleven are low-income census tracts, twenty-three are moderate-income census tracts, eighteen are middle-income census tracts, nineteen are upper-income census tracts, and four census tracts income data is unknown. Total population of the tracts totals 178,489. There are just over 78 thousand total housing units, of which 42,860 or 54.7 percent are owner occupied. Households below the poverty level total 11,972 or 15.3 percent and households that receive public assistance total 3,569 or 4.6 percent of the total number of households.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE KAY COUNTY AA	
Population	
Number of Families	11,580
Number of Households	16,962
Geographies	
Number of Census Tracts	9
% Low-Income Census Tracts	0.00
% Moderate-Income Census Tracts	11.11
% Middle-Income Census Tracts	55.56
% Upper-Income Census Tracts	33.33
Median Family Income	
Census MSA Median Family Income	\$35,517
HUD Updated MSA Median Family Income	\$44,000
Economic Indicators	
% Unemployment Rate	3.72
Median Housing Value	\$53,224
% of Households Below Poverty Level	15.03

Source: 2000 U.S. Census

FNBO has defined their Kay County AA as the southern and western portions of Kay County in northern Oklahoma, consisting of nine census tracts. These tracts include the cities of Ponca City and Tonkawa. Of these, there are no low-income census tracts, one moderate-income census tract, five middle-income census tracts, and three upper-income census tracts. Total population of the tracts is 42,524. Of the 17 thousand total housing units in the Kay county AA, 11,995 or 70.7 percent are owner occupied. Households below the poverty level total 1,481 or 13 percent and households that receive public assistance total 867 or 5 percent of the total number of households.

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

The economic conditions in the Oklahoma City AA have deteriorated some since the last exam; however, they remain much better than other parts of the county. The area did not experience a large run up in housing prices, so it has been relatively shielded from the national housing crisis. Builders have experienced a slow down, but housing prices did not see large declines. The commercial real estate market has softened due to the national recession and lower oil and gas prices, but remains much stronger than national outlook.

The economic conditions in the Kay County AA have stabilized. The area had suffered over the past few years due to Conoco moving their headquarters from Ponca City to Houston, resulting in many higher-paying jobs leaving the area. The economy is still primarily driven by oil production and the agriculture economy. Increasing oil prices are projected to boost the area economy as Conoco still maintains a large refinery in Ponca City.

A community contact was conducted during this review to help ascertain the credit needs of the Oklahoma City AA. The contact stated that while not as bad as other areas of the country, the local economy is showing signs of a downturn. Several loan applications in the pipeline have been withdrawn by applicants due to uncertainty with the economy and the new administration. The contact felt the local economy is stable. The contact indicated opportunities to be involved in leadership positions with nonprofits which provide services to low- and moderate-income families is ample. Opportunities to provide capital to individuals who would like to start or expand their small business are also available through FNBO and several other local organizations according to the contact.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is rated "**Satisfactory**"

LOAN-TO-DEPOSIT RATIO

FNBO's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance as evidenced in its June 30, 2009 loan-to-deposit ratio of 83 percent. The bank's average quarterly loan-to-deposit ratio from March 31, 2005 through June 30, 2009 was 85 percent. This average was compared to the average of four similar banks. Two of the banks are located in the Kay County AAs and the other two were located in the Oklahoma County AA. All of the peer banks had total assets between \$125 million and \$225 million, for the same time period. These averages are listed in the following table:

Loan-To-Deposit Ratios		
Institution	Average Assets (\$000's)	Average Loan –to-Deposit Ratio
Valliance Bank, Oklahoma City	\$212,493	94.47%
The Eastman National Bank of Newkirk	\$170,094	91.42%
First National Bank of Oklahoma	\$192,891	84.73%
The Yukon National Bank, Yukon	\$223,892	60.55%
First Bank & Trust Company, Perry	\$122,919	59.01%

Source: Institution Reports of Condition from March 31, 2005 to June 30, 2009

FNBO’s loan-to-deposit ratio is higher than the weighted average ratio of the four comparable banks of 77 percent.

LENDING IN ASSESSMENT AREA

FNBO’s lending in its AAs exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of home mortgage, small business and small farm loans were originated within the bank’s AAs. As depicted in the table below, 72 percent of the number and 62 percent of the dollar amount of loans were originated in FNBO’s AAs.

Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	304	72.21	117	27.79	421	\$24,828	58.93	\$17,301	41.07	\$42,129
Small Business	46	75.41	15	24.59	32	\$6,711	77.57	\$1,940	22.43	\$ 8,651
Small Farms	20	62.50	12	24.59	134	\$710	54.74	\$587	45.26	\$ 1,453
Totals	370	71.98	144	28.02	514	\$32,249	61.93	\$19,828	38.07	\$52,077

Source: Sample of 2007- 2009 small business and small farm loans, and 2007- 2008 HMDA loans

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The overall borrower distribution of loans in the bank’s AAs is reasonable and meets the standard for satisfactory performance. FNBO’s borrower distribution of home mortgage loans and small business loans in the Oklahoma County AA is satisfactory. In Oklahoma County AA more weight was given to small business loans since they are the primary product. Residential real estate loans are made more as an accommodation to the bank’s commercial customers. The borrower distribution for home mortgage loans, small business loans, and small farm loans was considered satisfactory for the Kay County AA as well.

Lending performance for home mortgage loans, small business loans, and small farms loans is illustrated in the following tables for Oklahoma County AA and Kay County AA. These tables illustrate that the bank is meeting the consumer lending needs of low- to moderate-income borrowers in those communities. An equal weight was given to each of the AA since both deposit generation and lending is split evenly between the two.

OKLAHOMA COUNTY AA

FNBO’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, our source data noted approximately 31 percent of the businesses in the AA did not report income data.

Borrower Distribution of Loans to Businesses in Oklahoma County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61.80%	7.43%	30.78%	100%
% of Bank Loans in AA by #	72.73%	27.27%		100%
% of Bank Loans in AA by \$	62.99%	37.01%		100%

Source: Loan sample; Dunn and Bradstreet data

The bank’s distribution of home mortgage loans is satisfactory. There was not much weight given to home mortgage products since they are made primarily as an accommodation to the bank’s commercial customers.

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. When comparing the distribution of home mortgage loans to low income with the percentage of owner occupied homes in low-income census tracts, FNBO percentage of loans is actually higher than the percentage of owner occupied homes. This is discussed in more detail under the geographic distribution of home mortgage loans.

The distribution of home mortgage products to moderate-income borrowers is slightly lower than the percentage of moderate-income families in the AA for home refinance, and actually exceeds the percentage of AA families for home purchase. The distribution of home improvement loans to moderate-income borrowers is significantly lower than the percentage of moderate-income families in the AA. This is due to the low volume of mortgage related loans made in the AA. There were only fifty-seven mortgage related loans made, and only nine of them were home improvement loans.

Borrower Distribution of Residential Real Estate Loans in Oklahoma County AA								
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	23.94	9.09	17.24	18.18	19.38	9.09	39.43	63.64
Home Improvement	23.94	14.29	17.24	0.00	19.38	0.00	39.43	85.71
Refinance	23.94	4.00	17.24	12.00	19.38	8.00	39.43	76.00

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

KAY COUNTY AA

FNBO’s borrower distribution to businesses with revenues of \$1 million or less is satisfactory. The percentage of bank loans by dollar and number significantly exceeded the percentage of reporting businesses with revenues of \$1 million or less in the AA. However, our source data noted approximately 42 percent of the businesses in the AA did not report income data.

Borrower Distribution of Loans to Businesses in Kay County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	54.26%	3.46%	42.28%	100%
% of Bank Loans in AA by #	95.83%	4.17%		100%
% of Bank Loans in AA by \$	92.04%	7.96%		100%

Source: Loan sample

FNBO’s borrower distribution to small farms 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. Our source data noted only 1 percent of the farms in the AA did not report income data.

Borrower Distribution of Loans to Farms in Kay County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	97.37%	1.32%	1.32%	100%
% of Bank Loans in AA by #	100%	0		100%
% of Bank Loans in AA by \$	100%	0		100%

Source: Loan sample

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. In addition, the Kay County AA does not contain any low-income tracts and only one moderate-income tract. This presents a lack of opportunities to lend to low and moderate income borrowers.

The distribution of home mortgage products to moderate-income borrowers is slightly higher than the percentage of moderate-income families in the AA for home improvement and home purchase. The distribution of home purchase loans to moderate-income borrowers is slightly lower than the percentage of moderate-income families in the AA.

Borrower Distribution of Residential Real Estate Loans in Kay County AA								
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	19.34	9.23	17.10	15.38	19.58	27.69	43.98	47.69
Home Improvement	19.34	12.00	17.10	20.00	19.58	20.00	43.98	48.00
Refinance	19.34	13.93	17.10	19.67	19.58	31.15	43.98	35.25

Source: Data Reported under HMDA; U.S. Census data

GEOGRAPHIC DISTRIBUTION OF LOANS

The overall geographic distribution of loans is reasonable and meets the standard for satisfactory performance. FNBO’s geographic distribution of home mortgage loans, small business loans, and small farm loans in FNBO’s Oklahoma County AA and Kay County AA is reasonable. Geographic distribution of home mortgage loans, small business loans, and small farm loans in both AAs is provided in the following tables. These tables illustrate the bank’s performance in penetrating low- and moderate-income geographies in those communities. Less weight was given to the Kay County AA since it contained no low-income tracts and only one moderate-income tract. In addition, in the Oklahoma County AA, less weight was given to mortgage related products since they are made primarily as an accommodation to their commercial customers.

OKLAHOMA COUNTY AA

The geographic distribution of small business loans located in low-income census tracts is slightly lower than the percentage of small businesses located in those tracts. The geographic distribution of small businesses loans located in moderate-income tracts exceeds the percentage of small businesses located in those tracts for overall satisfactory performance.

Geographic Distribution of Loans to Businesses in Oklahoma County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Businesses	8.73	4.55	22.94	27.27	30.57	45.45	29.95	22.73

Source: US Census Data; Loan Sample

The geographic distribution of home mortgage loans located in low-income census tracts exceeds the percentage of small businesses located in those tracts for home purchase loans and home refinance loans. The distribution for home improvement loans to low income census tracts is significantly lower than the percentage of owner occupied homes. However, this is mitigated by the fact that owner occupied housing is extremely low at 4.19 percent, making opportunities to extend home mortgage products limited in the two low-income tracts in the Oklahoma County AA.

The geographic distribution of home purchase loans located in moderate-income tracts significantly exceeds the percentage of owner occupied homes located in those tracts. The percentage of home improvement and home refinance loans to moderate-income census tracts is slightly lower than the percentage of owner occupied homes.

The geographic distribution of home mortgages loans located in low and moderate-income census tracts mitigates the fact that the distribution of lending to lower and moderate income families was less than the percentage of low and moderate-income families in the AA. The geographic distribution data indicates the banks lending performance is overall satisfactory.

Geographic Distribution of Residential Real Estate Loans in Oklahoma County 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	4.14	7.69	27.29	61.54	28.53	7.69	40.04	23.08
Home Improvement	4.14	0.00	27.29	11.11	28.53	22.22	40.04	66.67
Refinance	4.14	6.25	27.29	21.88	28.53	34.38	40.04	37.50

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

KAY COUNTY AA

There are no low-income census tracts, and only one moderate-income census tract in the AA representing 11 percent of total census tracts in the AA. Therefore, little weight was placed on the geographic distribution of small business loans located in low and moderate-income census tracts. The percent of loans to small businesses in moderate-income tracts is slightly lower than the percentage of small businesses located in those tracts.

Geographic Distribution of Loans to Businesses in Kay County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Businesses	0.00	0.00	14.93	8.33	52.77	62.50	32.29	29.17

Source: U.S. Census data; Loan Sample

There are no low-income census tracts, and only one moderate-income census tract in the AA representing 11% of total census tracts in the AA. Therefore, little weight was placed on the geographic distribution of small farm loans located in low and moderate-income census tracts. The percent of loans to small farm loans in moderate-income tracts is lower than the percentage of small businesses located in those tracts.

Geographic Distribution of Loans to Farms in Kay County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Farms	0.00	0	4.61	0	63.82	80.00	31.58	20.00

Source: U.S. Census data; Loan Sample

The Kay County AA did not contain any low-income census tracts, and only contained one moderate-income census tract. Since this only represents 11 percent of the total census tracts in the AA, little weight was given to the geographic distribution. Home refinance loans to moderate-income census tracts exceeded the percentage of owner occupied homes. However, home purchase and home improvement loans were slightly less than the percentage of owner occupied homes. This is mitigated by the fact that owner occupied housing is extremely low at 5 percent, making opportunities to extend home mortgage products limited in the two low-income tracts in the Kay County AA. The geographic distribution data indicates the bank’s lending performance is overall satisfactory.

Geographic Distribution of Residential Real Estate Loans in Kay County 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	5.14	2.99	59.12	80.60	35.74	16.42
Home Improvement	0.00	0.00	5.14	4.00	59.12	80.00	35.74	16.00
Refinance	0.00	0.00	5.14	5.51	59.12	78.74	35.74	15.75

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

RESPONSES TO COMPLAINTS

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

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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