



## **PUBLIC DISCLOSURE**

July 13, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Weatherford  
Charter Number 15407

1100 East Main  
Weatherford, OK 73096

Office of the Comptroller of the Currency

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, 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 that support this rating include:

- The loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a majority of its loans within the defined assessment area (AA).
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and to farms and businesses of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

The First National Bank of Weatherford, Weatherford, Oklahoma is committed to serving the community. This is demonstrated by the satisfactory lending performance described in this Performance Evaluation.

**SCOPE OF EXAMINATION**

This 2015 CRA Performance Evaluation of First National Bank of Weatherford (FNB) is based on a comparison of the bank's lending activity during the evaluation period to 2010 US Census demographic information and certain information updated to 2013. The bank's AA for this evaluation included 7 census tracts in western Oklahoma and 17 census tracts in northern Oklahoma. The review focused on FNB's primary loan products: commercial, agriculture, and residential real estate. The analysis included a random sample of 60 loans that originated from January 1, 2013 through June 30, 2015. A meaningful geographic analysis could not be performed because the bank's AA only includes one low-income census tract that has limited lending opportunities and no moderate-income census tracts. The low-income census tract consists mainly of the Oklahoma State University campus.

**DESCRIPTION OF INSTITUTION**

FNB is a community bank headquartered in Weatherford, Oklahoma. FNB is 100 percent owned by First National Bancshares of Weatherford, Inc.; a one-bank holding company. FNB is affiliated by common ownership with Cordell Abstract, LLC, Cordell, Oklahoma.

The main bank and drive-in facility are located at 1100 East Main Street in Weatherford, Oklahoma. FNB operates five full service branches and drive-in facilities that are located at 120 South Market, Cordell, Oklahoma; 1107 North Broadway, Hinton, Oklahoma; 301 Woolsey Avenue, Morrison, Oklahoma; 2100 East 6<sup>th</sup>, Stillwater,

Oklahoma; and 4611 West 6<sup>th</sup>, Stillwater, Oklahoma. Automated Teller Machines (ATMs) are located at each bank location except Cordell and that ATM is located one block away at 120 South Glenn English. There are two additional ATMs in Weatherford, Oklahoma, located at 1101 North Washington and 100 Campus Drive in the Southwestern Oklahoma State University Student Union. Since the last evaluation, FNB purchased Citizen’s State Bank in Morrison, Oklahoma. The December 2012 purchase added three bank locations: Morrison; Stillwater East, and Stillwater West. No other locations have been opened or closed since the previous CRA evaluation.

FNB’s primary focus is to serve commercial, agricultural, and consumer customers in Weatherford, Cordell, Hinton, Stillwater, and Morrison, and the surrounding areas. The primary strategy in western Oklahoma is small business and agricultural lending; while Stillwater’s primary strategy is small business lending. FNB meets these needs by providing traditional loan and deposit products and services, as well as 24 hour account access by telephone, Internet Banking, and mobile devices. The bank will work with borrowers to obtain SBA and FHA government guaranteed loans; however, the demand has been low. FNB does offer limited Trust services; however, most requests for services are referred to another financial institution with Trust powers.

As of March 31, 2015, the bank’s total assets were \$221.6 million, of which \$163 million, or 74 percent, were comprised of various types of loans to small farms, businesses, and individuals. Specifically, the bank’s loan portfolio consists of the following:

<b>Loan Portfolio Composition as of March 31, 2015</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	70,458	43%
Commercial Loans	28,441	17%
Agricultural Loans	31,008	19%
Residential Real Estate Loans	22,903	14%
Consumer Loans	7,682	5%
Other Loans	2,923	2%
<b>Total</b>	<b>163,415</b>	<b>100.00%</b>

*Source: March 31, 2015 Report of Condition and Income.*

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the AA. FNB is involved in, and provides support to, the community’s financial needs. FNB received an overall rating of “Satisfactory” at the previous CRA Examination, dated May 17, 2010.

## **DESCRIPTION OF ASSESSMENT AREA**

The AA adopted by FNB meets the requirements of the CRA regulation. The AA consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies.

The AA includes twenty-four census tracts that are a combination of seven contiguous tracts in western Oklahoma and seventeen contiguous tracts in northern Oklahoma. All of the census tracts are in non-MSA areas and were combined for evaluation purposes because they are homogeneous. The western Oklahoma portion of the AA includes census tract #9590 in Blaine County, census tracts #1616 and #1617 in Caddo County, census tracts #9606 and #9607 in Custer County and census tracts #9651 and #9654 in Washita County. The northern Oklahoma portion of the AA includes census tracts #101.01, #101.02, #102 - #110, #111.01 and #101.02 in Payne County and all of the census tracts in Noble County, #9566, #9569 - #9571. The portions of each County not included in the AA were excluded by the bank because of the distance from the bank's branches, and that the area is serviced by other financial institutions.

Of the 24 census tracts, there is only one that is considered a low-income tract and it is located in Stillwater in Payne County. This tract includes the Oklahoma State University and includes a very limited number of businesses or permanent residents. The AA does not have any moderate-income tracts, but has 15 middle-income tracts and eight upper-income tracts. Of the 15 middle-income tracts, nine are considered Distressed Nonmetropolitan tracts. The main bank, the Cordell, the Morrison, and the Stillwater West branches are located in upper-income census tracts. The Hinton and Stillwater East branches are located in middle-income census tracts.

The following table describes demographic and economic characteristics of the AA, based on the 2010 US Census Data:

<b>Demographic and Economic Characteristics of AA</b>	
<i>Population</i>	
Number of Families	21,804
Number of Households	37,775
<i>Geographies</i>	
Number of Census Tracts	24
% Low-Income Census Tracts	4.17%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	62.50%
% Upper-Income Census Tracts	33.33%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$58,061
2013 HUD-Updated MFI	\$49,900
<i>Economic Indicators</i>	
2010 Median Housing Value	\$109,101
% of Households Below Poverty Level	23%

Source: 2010 US Census data and 2013 HUD updated income data.

The AA has a total population of 102,984 persons. Although there are no moderate-income census tracts and only one low-income census tract in the AA, there are low- and moderate-income families in the AA. Of the 21,804 families, 17 percent are low-income families and 15 percent are moderate-income families. Of the 37,775 households, 78 percent derive their income from wages or salaries. Households below the poverty level total 8,603, or 23 percent, and households that receive public assistance total 967, or 3 percent of the total number of households. The median housing value is \$109,101 and the median age of housing is 41 years old. The median housing value has increased since the prior evaluation when it was \$58,478. The unemployment rate as of May 2015 for Weatherford is 4.1 percent, Cordell is 5.1 percent, Hinton is 5.4 percent, Stillwater is 3.1 percent, and Morrison is 3.6 percent.

The local economic conditions are considered stable. The economy is somewhat diversified in the different communities due to the number of small businesses, agricultural operations, the oil and gas industry, and the strong enrollments at Southwestern Oklahoma State University and Oklahoma State University. There has been some decline in the oil and gas activity recently, but that slowdown has not had a significant effect on the communities. New home construction continues in the Weatherford and Stillwater communities. The Stillwater and Morrison communities are growing more than the other communities.

The major employers in the Weatherford area are Southwestern Oklahoma State University, Weatherford Public Schools, and ASAP Energy, Inc. The major employers in the Hinton area are Great Plains Correctional Facility and the public schools. The major employers in the Cordell and Morrison area are their public schools and their local city governments. The major employers in the Stillwater area are Oklahoma State University, Stillwater Medical Center and Walmart.

FNB faces strong competition from several other national and state chartered banks and branches of other banks and financial institutions in the Weatherford, Stillwater, and Cordell locations. Competition in the Hinton area is limited to one other bank. In Morrison, FNB is the only bank.

During the course of the examination, we reviewed recent community contacts conducted in Payne and Washita Counties. According to one contact, the needs of the AA are limited to small business, small farm, residential real estate, and consumer loans. However, he also noted that he believes the credit needs in the AA are adequately met by the local financial institutions. According to another contact, there is a need for credit to finance small farm loans, but he feels the financial institutions are meeting the needs of the County residents.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This CRA Performance Evaluation assesses FNB's performance, focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the AA; lending to borrowers of different incomes and to businesses and farms of different sizes; geographic distribution of loans; and responses to CRA related complaints. Because FNB's AA does not include any moderate-income census tracts and only one low-income census tract, a geographic distribution of the bank's loans within the AA would not be meaningful and was not performed. The one low-income tract is home to the Oklahoma State University campus which has limited lending opportunities.

To evaluate FNB's lending performance, a random sample of 60 loans was reviewed. Primary loan products offered by the bank were sampled and consisted of 32 agricultural/commercial business loans and 28 residential real estate loans originated in 2013, 2014, and year-to-date June 30, 2015. Based on the analysis, and consistent with available resources and capabilities, FNB is doing a satisfactory job of meeting the credit needs of its AA.

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The bank's quarterly average LTD ratio from the last performance evaluation through March 31, 2015 is 76 percent. This ratio is reasonable compared to other similarly situated banks in the area. The quarterly average LTD of the four banks listed below is 60 percent. The quarterly average LTD ratios for four similar banks in the area are listed in the table below.

Loan-to-Deposit Ratios		
Institution	Total Assets as of 3/31/2015 \$ (000)	Average LTD Ratio
Bank of Western Oklahoma, Elk City	\$247,283	79%
<b>First National Bank of Weatherford</b>	<b>\$221,571</b>	<b>76%</b>
First National Bank & Trust, Elk City	\$325,814	63%
First Bank & Trust Company, Perry	\$158,966	52%
Bank of Cushing, Cushing	\$123,589	46%

*Source: Institution Reports of Condition from March 31, 2010 to March 31, 2015.*

### Lending in Assessment Area

FNB's lending in their AA meets the standard for satisfactory performance. The majority of the sampled loans are originated inside the bank's AA. This conclusion is based on the samples of 32 commercial/agricultural and 28 residential real estate loans originated between January 1, 2013 and June 30, 2015, as shown in following table:

<b>Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial/Ag	26	81%	6	19%	32	1,791	56%	1,398	44%	3,189
Residential R/E	21	75%	7	25%	28	2,542	84%	479	16%	3,021
<b>Totals</b>	<b>47</b>	<b>78%</b>	<b>13</b>	<b>22%</b>	<b>60</b>	<b>4,333</b>	<b>70%</b>	<b>1,877</b>	<b>30%</b>	<b>6,210</b>

Source: 2013, 2014 & YTD 2015 Commercial/Ag and Residential Real Estate Loan Samples.

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

The overall distribution of loans in the bank's AA indicates reasonable penetration. FNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The following tables represent the distribution of lending based on the sample of 26 commercial/agriculture and 21 residential real estate loans extended within the AA:

<b>Borrower Distribution of Loans to Businesses/Farms in AA</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	73.10%	3.60%	23.30%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: 2013, 2014 & YTD 2015 Commercial/Ag Loan Sample; Dunn & Bradstreet data.

FNB's loan distribution, by number and dollar amount of loans, to small business/agricultural customers is excellent and exceeds the standard for satisfactory performance. The table reflects that a large percentage of the businesses in the AA did not report revenues or revenues were unavailable or unknown.

<b>Borrower Distribution of Residential Real Estate Loans in FNB's 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
Residential Real Estate	17%	0%	16%	14%	18%	24%	49%	62%

Source: 2013, 2014 & YTD 2015 Residential Loan Sample; 2010 US Census data.

FNB's distribution of residential real estate loans to borrowers of different income levels is reasonable and meets the standard for satisfactory performance. The number of real estate loans extended to low-income borrowers is poor compared to the percentage of low-income families in the AA. However, lending to moderate-income borrowers is near the percentage of moderate-income families in the AA and considered reasonable.

According to the 2010 US Census data, approximately 41 percent of the housing in the AA is rental units. In addition, almost 23 percent of the households are living below the poverty level. Some of the AAs have seen an increase in housing demand as a result of the oil and gas industry, which has resulted in higher home values. A combination of these factors and other factors makes it more difficult for low-income borrowers to find housing that they can afford or qualify for. Consideration to these mitigants was factored into the overall rating.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful since there are no moderate-income census tracts and only one low-income census tract in the AA.

### **Responses to Complaints**

FNB has not received any consumer complaints regarding the bank's CRA performance in helping to meet AA needs during this evaluation period.

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

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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