



PUBLIC DISCLOSURE

March 31, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Thomas
Charter Number 7278

301 West Broadway
Thomas, OK 73669

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, 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 following:

- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a substantial majority of the number and dollar volume of loans within the defined assessment area (AA).
- The bank's borrower distribution of loans reflects an excellent penetration to individuals and businesses of different income levels.
- There have been no complaints with respect to the bank's Community Reinvestment Act (CRA) performance.

The First National Bank of Thomas (FNB) is committed to serving the community. This is demonstrated by the satisfactory lending performance described in this Performance Evaluation.

SCOPE OF EXAMINATION

This 2014 CRA Performance Evaluation of FNB is based on comparison of the bank's lending activity during the evaluation period to 2010 US Census demographic information and certain information updated to 2013. FNB's AA is in West Central Oklahoma. Lending performance was evaluated in the bank's AA, which includes one census tract in Custer County and two census tracts in Dewey County. To evaluate FNB's lending performance, a random sample of 50 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 25 commercial/agriculture loans and 25 consumer loans that originated from January 1, 2012 to December 31, 2013. Residential real estate loans are also a primary product of the bank. However, there were not enough of these loans booked during the evaluation period to provide a meaningful performance analysis.

DESCRIPTION OF INSTITUTION

FNB is a community bank headquartered in Thomas, Oklahoma. FNB is wholly owned by First Thomas Bancorp, Thomas, Oklahoma. The bank is affiliated by common ownership with Southwest National Bank of Weatherford, Oklahoma. A single full service bank, an Automated Teller Machine (ATM), and a drive-in facility are located at 301 West Broadway, Thomas, Oklahoma. FNB also provides access to Southwest National Bank's ATM in Weatherford at no extra charge. No locations have been opened or closed since the previous CRA examination.

The bank's primary strategy is to serve consumer, agricultural, and commercial customers in Thomas and the surrounding areas. The bank meets these needs by providing traditional loan and deposit products. No new services have been offered since the previous evaluation.

At December 31, 2013, the bank's total assets were \$40.6 million, of which \$16.9 million, or 42 percent, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Portfolio Composition as of December 31, 2013		
Loan Category	\$ (000)	%
Commercial/Business Loans	9,425	55.83%
Agricultural Loans	4,803	28.44%
Residential Real Estate Loans	1,755	10.39%
Consumer Loans	899	5.32%
Other Loans	4	0.02%
Total	\$16,866	100%

Source: December 31, 2013 Report of Condition and Income.

There are no known legal or financial impediments to prevent the bank from meeting the credit needs within the AA. FNB is involved in and provides support to the community's financial needs. The bank received an overall rating of "Satisfactory" at its last CRA performance evaluation dated April 28, 2008.

DESCRIPTION OF ASSESSMENT AREA

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

FNB's AA is identified as the northern portion of Custer County and the southern portion of Dewey County in West Central Oklahoma. The AA includes census tract 9610 in Custer County and census tracts 9591 and 9593 in Dewey County. The bank is located in middle-income census tract 9610 in Custer County. Census tracts 9610 and 9593 are designated as "Distressed or Underserved nonmetropolitan middle-income census tracts". The following table describes major demographic and economic characteristics of the AA, based on 2010 US Census data:

Demographic and Economic Characteristics of Assessment Area	
<i>Population</i>	
Number of Families	1,953
Number of Households	2,720
<i>Geographies</i>	
Number of Census Tracts	3
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	0%
% Middle-Income Census Tracts	66%
% Upper-Income Census Tracts	33%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	56,615
2013 FFIEC Adjusted MFI	58,987
<i>Economic Indicators</i>	
2010 Median Housing Value	62,535
% of Households Below Poverty Level	14%

Source: 2010 Census data and 2013 FFIEC updated income data.

The total population of the AA is 6,623 persons. Although there are no low- or moderate-income census tracts in the AA, there are low- and moderate-income families in the AA. Of the 1,953 families, 17 percent are low-income families and 16 percent are moderate-income families. Of the 2,720 households, 14 percent are below the poverty level. The median housing value is \$62,535 thousand with the median age of housing stock at 49 years.

Local economic conditions are continuing to stabilize from the 2008 economic downturn, with much of the stabilization attributed to the rebound in oil and gas activity in the area. The economy continues to be dependent on agriculture and the oil and gas industries. The major employers in the area are: the local school district, Danlin Industries (oil field equipment), and WW Manufacturing (livestock equipment). Some Thomas residents commute to Weatherford and other surrounding communities for work. FNB faces strong competition from a larger financial institution located in Thomas that has several branches, and other financial institutions located in the surrounding towns.

A community contact was made during the examination to help ascertain the credit needs of the AA. The immediate credit needs of the community are being fulfilled, according to the contact. The main financial need in the area is for agricultural and consumer loans. There is generally a need for middle-income housing. FNB is involved in community development activities and programs in the area.

CONCLUSIONS ABOUT 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 of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate FNB's lending performance, a random sample of 50 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 25 commercial/agriculture loans and 25 consumer loans that originated in 2012 and 2013. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the AA in a satisfactory manner.

Loan-to-Deposit Ratio

FNB's Loan to Deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance given the institution's size, financial condition, and in light of its performance context. The average quarterly LTD ratio from March 31, 2008 through December 31, 2013 is 48 percent. The average quarterly LTD of the 25 banks chartered in Beckham, Blaine, Custer, Dewey, Major, Roger Mills, Washita, and Woodward Counties is 61 percent and these LTD ratios range from a low of 35 percent to a high of 111 percent. The quarterly average LTD ratios for four similar banks in western Oklahoma are listed in the table below:

Loan-to-Deposit Ratios		
Institution	Total Assets as of 12/31/2013 \$ (000)	Average LTD Ratio
Bank of Cordell	36,748	82%
First State Bank, Watonga	52,154	66%
Southwest National Bank, Weatherford	64,063	59%
<i>The First National Bank of Thomas</i>	40,599	48%
State Guaranty Bank, Okeene	41,032	40%

Source: Institution Reports of Condition from March 31, 2008 to December 31, 2013.

Since the last CRA review, the trend of the bank's quarterly LTD ratio has remained stable while also showing seasonality due to their Agricultural lending. The average LTD ratio at the prior CRA review was 49 percent, while the current average quarterly LTD is 48 percent, with a high of approximately 62 percent during the evaluation period.

FNB continues to pursue lending opportunities within the local community, however there are several factors contributing to their lower LTD ratio. There is a lack of quality

loan demand in the bank’s primary lending area, especially when considering the bank’s primary loan products. The local customer base is older and provides a significant and stable level of deposits, but conversely, they have limited borrowing needs. The increase in oil and gas lease revenues in the area has reduced the need for borrowing. FNB is not anticipating any new products or services in the next cycle, but is open to new lending opportunities the market may create.

Lending in Assessment Area

FNB originates a substantial majority of its loans inside its AA and exceeds the standard for satisfactory performance. This conclusion is based on samples of 25 consumer loans and 25 commercial/agriculture loans originated in 2012 and 2013, as depicted in the following table:

Lending in FNB’s AA										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Consumer	21	84%	4	16%	25	\$109,418	81%	\$25,731	19%	\$135,149
Commercial/Agriculture	22	88%	3	12%	25	\$928,562	91%	\$88,440	9%	\$1,017,002
Totals	43	86%	7	14%	50	\$1,037,980	90%	\$114,171	10%	\$1,152,151

Source: 2012 & 2013 Consumer and Commercial/Ag Loan Sample.

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

The overall distribution of loans to borrowers of different incomes and businesses of different sizes is excellent and exceeds the standard for satisfactory performance based only on the loans extended within the bank’s AA.

The following table illustrates the distribution of consumer lending extended within the AA:

Borrower Distribution of Consumer Loans in FNB’s AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	22%	33%	15%	24%	15%	19%	48%	24%

Source: 2012 and 2013 Consumer Loan Sample; 2010 US Census Data.

FNB’s borrower distribution of consumer loans is excellent. Consumer loans extended to low- and moderate-income borrowers significantly exceeds the percentages of low- and moderate-income households in the AA.

The following table illustrates the distribution of commercial/agriculture loans extended within the AA:

Borrower Distribution of Loans to Businesses/Farms in FNB's AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	70%	4%	26%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: 2012 and 2013 Commercial and Agricultural Loan Sample; Dunn and Bradstreet data.

FNB's distribution of loans to commercial/agriculture businesses reflects excellent penetration among businesses of different sizes. One hundred percent of the bank's loans to businesses were made to small businesses or farms having gross annual revenues of \$1 million or less. The table above also reflects that 26 percent of the businesses in the AA did not report revenues or revenues were unavailable or unknown.

Geographic Distribution of Loans

An analysis of the geographic distribution of FNB's loans would not be meaningful since there are no low- or moderate-income census tracts in the AA.

Responses to Complaints

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