



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**May 14, 2012**

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

The Farmers and Merchants National Bank of Fairview  
Charter Number 9767

312 North Main  
Fairview, OK 73737-0000

Office of the Comptroller of the Currency

ADC-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 bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- A substantial majority of loans are extended inside the bank's assessment area.
- The loan-to-deposit ratio is reasonable and commensurate with similarly situated institutions.
- The borrower distribution of loans represents excellent penetration among businesses and agricultural operations of different sizes.

The Farmers & Merchants National Bank of Fairview, Oklahoma, is committed to serving the community. This is demonstrated by the satisfactory lending performance as described in this Public Evaluation.

## SCOPE OF EXAMINATION

The Farmers & Merchants National Bank of Fairview (F&M) was evaluated under the Small Bank examination procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area through its lending activities. The bank's assessment area was reviewed and includes all census tracts in Major County.

F&M products sampled include agricultural and commercial loans, along with their related real estate loans. Sampled loans were originated during 2009, 2010, and 2011. F&M does not have any offices in a Metropolitan Statistical Area and is therefore not required to complete the Home Mortgage Disclosure Act reporting log.

## DESCRIPTION OF INSTITUTION

F&M is a community bank located in Fairview, Oklahoma. F&M is wholly owned by Fairview Bancshares, Inc., a one-bank holding company. The main bank and drive-thru facility are located at 312 N. Main Street in Fairview. A cash-dispensing only Automated Teller Machine (ATM) is available at the bank's location. Since the prior Community Reinvestment Act (CRA) examination, one ATM was established and subsequently closed at a local grocery store. No branch locations have been opened since the prior CRA examination.

F&M's primary focus is to serve agricultural, commercial, and consumer customers in Fairview and the surrounding areas within Major County. F&M is a full-service institution providing traditional loan and deposit products to meet community needs. As of December 31, 2011, total bank assets amounted to \$92.2 million and the gross loans and leases to total assets were 37 percent. F&M loan portfolio composition is depicted in the following table:

<b>Loan Portfolio Composition as of December 31, 2011</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
<b>Commercial &amp; Commercial Real Estate</b>	<b>\$10,525</b>	<b>31%</b>
Residential Real Estate	\$6,930	20%
<b>Agricultural &amp; Ag Real Estate</b>	<b>\$12,477</b>	<b>36%</b>
Individual	\$3,844	11%
Other	\$573	2%

Source: 12/31/11 Call Report

There are no legal or financial impediments to F&M's ability to meet the credit needs of its assessment area. The bank was rated Satisfactory at its last CRA examination dated April 27, 2006.

## DESCRIPTION OF ASSESSMENT AREA

F&M's assessment area consists of whole geographies and does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income geographies. All requirements of the CRA regulation are satisfied.

F&M's assessment area is comprised of the entire political subdivision classified as Major County. Major County is located in the northwestern region of Oklahoma and is comprised of three middle-income census tracts (9551, 9552, and 9553). The bank's building location, drive-thru, and ATM are located in the City of Fairview which lies within census tract 9553. The following table based on 2000 U.S. Census data describes major demographic and economic characteristics of F&M's assessment area, Major County:

<b>Demographic and Economic Characteristics of AA</b>					
	#	% Low	% Moderate	% Middle	% Upper
<b>Geographies (Census Tracts)</b>	3	0%	0%	100%	0%
<b>Population by Geography</b>	7,545	0%	0%	100%	0%
<b>Owner-Occupied Housing by Geography</b>	2,467	0%	0%	100%	0%
<b>Businesses by Geography (non-farm)</b>	821	0%	0%	100%	0%
<b>Farms by Geography</b>	114	0%	0%	100%	0%
<b>Family Distribution by Income Level</b>	2,225	16.58%	19.24%	20.99%	43.19%
<b>Household Distribution by Income Level</b>	3,056	18.42%	16.46%	19.50%	45.62%
<b>Census Median Family Income (MFI) Non-MSA</b>			<b>Median Housing Value</b>		\$53,246
<b>HUD-Adjusted MFI: 2011</b>		\$48,800	<b>Households Below the Poverty Level</b>		12.70%
<b>HUD- Adjusted MFI: 2010</b>		\$47,200	<b>Households on Social Security</b>		33.41%
<b>HUD – Adjusted MFI 2009</b>		\$46,400	<b>Households on Retirement</b>		13.87%

Source: 2000 U.S. Census Data

The current state of the local economy for the assessment area is characterized as good and stable. The economic conditions are driven in part by the expanding oil & gas sector in the surrounding area. Oil & gas activity is picking up in neighboring counties to the north and south of Major County which is increasing traffic through the area. Agricultural operations in the area are holding stable, and the local housing and rental market is doing good.

Major employers in the area are Fairview Public Schools, USG (Gypsum Plant), Fairview Municipal Hospital, and Fairview Fellowship Home (retirement & nursing). The labor market for the area is holding stable. Average unemployment for Major County is low at approximately 2.7 percent compared to the Oklahoma State average

unemployment rate of approximately 5.4 percent. This is according to the Oklahoma Employment Security Commission as of March 2012.

Local banking competition within the City of Fairview stems from Fairview Savings & Loan Association and a branch of Community National Bank headquartered out of Okarche, Oklahoma. Additional financial institution competition includes banks from the larger City of Enid, Oklahoma, located approximately 40 miles to the northeast of Fairview.

In conducting the assessment of the bank's performance, a community contact was made with a member of the Fairview Economic Development Corporation. The contact indicated that the credit needs of the community are being adequately met. Financial services are readily accessible by all members of the community and F&M is actively involved in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

This evaluation assesses F&M's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints. Since, F&M's assessment area does not include any low- or moderate-income census tracts, a geographic distribution of loans within the assessment area would not be meaningful and is therefore not performed. Additionally, lending to consumer borrowers of different incomes is not evaluated given F&M's two primary loan products are agricultural and commercial related loans.

To assess F&M's lending performance, a total of 30 agricultural loans and 30 commercial loans originated during 2009, 2010, and 2011 were evaluated. Based on the analysis and consistent with available resources and capabilities, F&M is meeting the credit needs of the assessment area in a satisfactory manner.

### Loan-to-Deposit Ratio

F&M's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance and is reasonable given the bank's size, financial condition, and assessment area credit needs. The average quarterly LTD ratio is 43.63 percent for the period ranging from June 2006 to December 2011. Ratios of four similarly situated banks were evaluated over the same period. The quarterly average LTD ratio for the other institutions is 45.77 percent with a range from 33.66 percent to 60.20 percent. The following table shows total assets as of December 31, 2011 and the quarterly average LTD ratio for F&M, as well as the other four similarly situated banks:

Institution	Assets as of 12/31/11 \$(000)	Average LTD Ratio
<b><i>The Farmers and Merchants National Bank of Fairview</i></b>	<b>92,237</b>	<b>43.63</b>
Cleo State Bank	79,117	33.66
The First National Bank of Seiling	81,161	48.49
First National Bank in Okeene	61,162	60.20
State Guaranty Bank	37,786	40.73

Source: Uniform Bank Performance Reports

### Lending in Assessment Area

F&M's lending in their assessment area exceeds the standard for satisfactory performance. A substantial majority of commercial and agricultural loans were originated in F&M's assessment area. This conclusion is based on a random sample of 30 commercial loans and 30 agricultural loans that were originated during F&M's evaluation period, 2009 to 2011. The following table depicts F&M's lending in their assessment area:

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural & Real Estate	27	90%	3	10%	30	1,751,892	90%	188,075	10%	1,939,967
Commercial & Real Estate	27	90%	3	10%	30	1,969,142	92%	164,457	8%	2,133,599
Totals	54	90%	6	10%	60	3,721,034	91%	352,532	9%	4,073,566

Source: Bank Reports; Random Sample of 30 Agricultural & 30 Commercial Loans

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

Distribution of loans reflects excellent penetration and exceeds the standard for satisfactory performance for lending among commercial businesses and agricultural operations of different sizes. The following tables represent the distribution of lending based on the sample of 27 commercial business loans and 27 agricultural loans originated within F&M's assessment area during 2009, 2010, and 2011.

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable / Unknown	Total
% of AA Businesses	61.51%	3.65%	34.84%	100%
% of Bank Loans in AA by #	92.59%	7.41%	0.00%	100%
% of Bank Loans in AA by \$	51.45%	48.55%	0.00%	100%

Source: Dunn & Bradstreet Data; Commercial Loan Sample

F&M's distribution of loans to commercial businesses exceeds the standard for satisfactory performance and reflects excellent penetration in lending to small commercial businesses with annual gross revenues of less than or equal to \$1 million. However, a moderate percentage of the businesses in the assessment area did not report revenues or revenues were unavailable or unknown, as reflected in the table above.

Borrower Distribution of Loans to Farms in AA				
Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable / Unknown	Total
% of AA Farms	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100%

Source: Dunn & Bradstreet Data; Agricultural Loan Sample

F&M's distribution to agricultural operations of different sizes exceeds the standard for satisfactory performance and reflects excellent penetration in lending to small agricultural operations with annual gross revenues of less than or equal to \$1 million.

F&M's small farm lending ratio matched the demographic ratio of farms in the assessment area with annual gross revenues of \$1 million or less at 100 percent.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans sampled would not be meaningful since there are no low- or moderate-income census tracts in F&M's assessment area.

### **Responses to Complaints**

There have been no consumer complaints pertaining to F&M's CRA performance during this 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.