



PUBLIC DISCLOSURE

May 08, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank and Trust Company of Okmulgee
Charter Number 11001

610 East 8th
Okmulgee, OK 74447

Office of the Comptroller of the Currency

8282 South Memorial Drive
Suite 300
Tulsa, OK 74133

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 CRA RATING: The institution is rated satisfactory.

The First National Bank and Trust Company of Okmulgee (FNB&T) has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The loan-to-deposit (LTD) ratio is *reasonable* based on the bank's performance context and lending opportunities within its assessment area.
- A *substantial majority* of the number of the bank's loans originated during the review period are inside the bank's assessment area (AA).
- The bank's distribution of loans reflects a *reasonable penetration* of loans among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a *reasonable dispersion* of loans in census tracts throughout the bank's assessment area.

SCOPE OF EXAMINATION

We evaluated FNB&T using the Small Bank standards for assessing performance. FNB&T's primary loan products include business loans and home purchase loans. The lending test evaluates the bank's record of meeting the credit needs of its AA. We assessed the bank's performance under the lending test using a loan sample comprising 20 residential mortgage loans and 20 commercial loans originated from January 1, 2012 through May 8, 2014. FNB&T is required to report under the Home Mortgage Disclosure Act (HMDA) as Okmulgee County is part of Tulsa's Metropolitan Statistical Area (MSA). The sample is representative of the bank's business strategy since the last CRA Evaluation.

DESCRIPTION OF INSTITUTION

FNB&T is a \$231 million rural community bank located in Okmulgee, Oklahoma, and a subsidiary of First Okmulgee Corporation, a one-bank holding company. FNB&T serves Okmulgee County through the main banking location at 610 East 8th Street, Okmulgee, Oklahoma, which is in a middle-income census tract. The bank also has a drive-thru and one automated teller machine (ATM) that is located at the bank's main office. There is a branch at Walmart in Okmulgee with an ATM, and an ATM at the Okmulgee Murphy Gas Station. There is a branch office in Henryetta, Oklahoma with a drive-thru and an ATM. FNB&T offers a diverse line of loan and deposit services during reasonable hours, Monday through Saturday. FNB&T also offers banking services by telephone and the internet. Based on the June 30, 2013 Federal Deposit Insurance Corporation (FDIC) Market Share Report, the bank's presence in the Okmulgee County AA is significant, as they have 43 percent of the deposit market share in the AA.

A CRA Performance Evaluation was last prepared February 17, 2009, and a “Satisfactory” rating was assigned. There are no known legal, financial, or other factors impeding the bank’s ability to meet the credit needs in the AA.

The following table illustrates the composition of the bank's loan portfolio as of March 31, 2014, which represents 56 percent of total assets, based on the data presented in the Consolidated Reports of Condition and Income. Management does not anticipate any significant changes in the composition of the loan portfolio in the near future.

| Loan Category | Dollars (\$000) | % of Portfolio |
|-------------------------------|------------------------|-----------------------|
| Commercial Real Estate Loans | \$6,629 | 5% |
| Commercial Loans | \$43,892 | 33% |
| Residential Real Estate Loans | \$38,065 | 29% |
| C&I | \$26,587 | 20% |
| Consumer Loans | \$8,744 | 7% |
| Farm Real Estate Loans | \$4,481 | 4% |
| Other Farm/Agriculture Loans | \$2,383 | 2% |
| Total | \$130,781 | 100.00% |

Source: March 31, 2014 Consolidated Reports of Condition and Income

DESCRIPTION OF ASSESSMENT AREA (AA)

At the onset of the examination, management had designated two AA’s: Okmulgee and Okfuskee Counties in Oklahoma. However, FNB&T has no bank branch, ATM or loan production office located in Okfuskee County, with limited loan demand. We adjusted the AA parameters to include all of Okmulgee County, comprising ten census tracts (CTs) where the bank actively lends, takes deposits and has the main office, all ATM’s, and the branch office in Henryetta, Oklahoma. Management concurred and the Board will adjust the designated AA accordingly during the May 2014 Board meeting.

The revised AA, which is a part of the Tulsa MSA, meets the requirements of the regulation and does not arbitrarily exclude any low-or moderate-income areas. In aggregate, six CTs are located in middle-income tracts and four are in moderate-income tracts. Both FNB&T’s main office and the Henryetta, Oklahoma branch are located in middle-income CTs of the AA.

The level of banking competition in the assessment area is high and includes a number of commercial state-chartered banks and branches of non-local banks, plus several credit unions and finance companies. The unemployment rate for Okmulgee County was 6.8 percent compared to the state unemployment rate of 4.6 percent at April 2014.

The local economy is diversified. No single industry (education, services, retail trade, light industrial, and government) fundamentally influences the area. The most significant employers include light manufacturing companies, Okmulgee Public Schools, and Oklahoma State University Technical Center.

The following table provides key demographic and economic characteristics of the AA:

| Demographic and Economic Characteristics of Okmulgee County | |
|--|----------|
| <i>Population</i> | |
| Number of Families | 10,712 |
| Number of Households | 15,342 |
| <i>Geographies</i> | |
| Number of Census Tracts/BNA | 10 |
| % Low-Income Census Tracts/BNA | 0% |
| % Moderate-Income Census Tracts/BNA | 40% |
| % Middle-Income Census Tracts/BNA | 60% |
| % Upper-Income Census Tracts/BNA | 0% |
| <i>Median Family Income (MFI)</i> | |
| 2010 MFI for AA | \$58,038 |
| 2010 HUD-Adjusted MFI | \$59,700 |
| <i>Economic Indicators</i> | |
| Unemployment Rate | 6.8% |
| 2013 Median Housing Value | \$76,956 |
| % of Households Below Poverty Level | 18.90% |

Source: 2012 Geo-demographic data; 2010 United States Census data

Community Contact

The OCC contacted a local community leader in the AA to get a better understanding of general community credit and development needs, and discuss local economic conditions. The contact stated that local financial institutions, including FNB&T, are actively involved. The contact added that the primary community housing-related need for the AA is sufficient local rental property opportunities. Adequate rental properties, it was said, tend to be few in number as many are poorly maintained.

Loan-to-Deposit (LTD) Ratio

FNB&T’s LTD ratio is *reasonable*, relative to their financial condition, local banking competition, and credit needs of the AA. Overall, loan demand in Okmulgee County is moderate. Since the previous CRA Performance Evaluation, the bank’s quarterly average LTD ratio averaged 69 percent, compared to a 64 percent aggregate average by five other local, competing banks within, or near the AA during the same period.

Lending in the AA

Our loan sample reveals that a **substantial majority** of the number of loans originated during the review period are inside the bank’s AA. The following table presents a more specific identification of loan types within and outside of the bank’s AA.

| Lending in the Okmulgee County AA | | | | | | | | | | |
|-----------------------------------|-----------------|------|---------|-----|-------|----------------------------|------|---------|-----|--------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (\$000’s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Purchase | 66 | 77% | 20 | 23% | 86 | 3,459 | 46% | 4,090 | 54% | 7,549 |
| Home Improvement | 114 | 94% | 7 | 6% | 121 | 2,868 | 88% | 376 | 12% | 3,244 |
| Refinance | 89 | 93% | 7 | 7% | 96 | 4,379 | 74% | 1,505 | 26% | 5,884 |
| Commercial Loans | 20 | 100% | 0 | 0% | 20 | 563 | 100% | 0 | 0% | 563 |
| Totals | 289 | 89% | 34 | 11% | 323 | 11,269 | 65% | 5,971 | 35% | 17,240 |

Source: Data from loan sample; HMDA data

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

Lending patterns during the review period indicate a **reasonable penetration** of loan originations among borrowers of different income levels and businesses of different sizes. HUD annually updates census income information to reflect current family income levels for residential real estate loan comparisons. The 2010 census provides income information for businesses. The following tables present a more specific identification of loan distribution patterns among borrowers within the AA.

| Borrower Distribution of Residential Real Estate Loans in the Okmulgee County AA | | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|-------------|
| Borrower Income Level | Low | | Moderate | | Middle | | Upper | | Unavailable |
| 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 | 29% | 19% | 19% | 29% | 23% | 15% | 29% | 29% | 8% |
| Home Improvement | 29% | 28% | 19% | 24% | 23% | 15% | 29% | 28% | 5% |
| Refinance | 29% | 18% | 19% | 21% | 23% | 17% | 29% | 41% | 3% |

Source: 2010 United States Census data; HMDA data; Data from loan sample.

| Borrower Distribution of Loans to Businesses in the Okmulgee County AA | | | | |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 73% | 2% | 25% | 100% |
| % of Bank Loans in AA by # | 80% | 15% | 5% | 100% |
| % of Bank Loans in AA by \$ | 80% | 18% | 2% | 100% |

Source: Dun and Bradstreet data; HMDA data; Data from loan sample

| Borrower Distribution of Loans to Businesses by Loan Size in the Okmulgee County AA | | | | |
|--|-----------------|-------------------|------------------------|--------------------------|
| Loan Size (000's) | Number of Loans | Percent of Number | Dollar Volume of Loans | Percent of Dollar Volume |
| \$0 - \$100,000 | 19 | 95% | \$436,775 | 78% |
| \$100,001 - \$250,000 | 1 | 5% | \$126,462 | 22% |
| \$250,001 - \$500,000 | 0 | 0% | \$0 | 0% |
| \$500,001 - \$1,000,000 | 0 | 0% | \$0 | 0% |
| Over \$1,000,000 | 0 | 0% | \$0 | 0% |

Source: Loan sample

Geographic Distribution of Loans

Lending patterns during the review period indicate a *reasonable dispersion* of loans in most tracts within the assessment area. The following tables illustrate the geographic distribution of residential real estate loans and commercial loans, relative to the income level of the census tracts within the AA.

| Geographic Distribution of Residential Real Estate Loans in the Okmulgee 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% | 0% | 27% | 37% | 73% | 63% | 0% | 0% |
| Home Improvement | 0% | 0% | 27% | 45% | 73% | 55% | 0% | 0% |
| Refinance | 0% | 0% | 27% | 33% | 73% | 67% | 0% | 0% |

Source: 2010 United States Census data; HMDA data; Data from loan sample

| Geographic Distribution of Loans to Businesses in the Okmulgee County AA | | | | | | | | |
|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| 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 |
| Businesses | 0% | 0% | 31% | 20% | 69% | 80% | 0.00 | 0% |

Source: Dunn & Bradstreet data, Data from loan sample

Responses to Complaints

There have been no consumer complaints regarding FNB&T's performance under the Community Reinvestment Act (CRA) during the evaluation period. The bank's CRA Public File contains all of the required information.

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 CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance.

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