



## **PUBLIC DISCLOSURE**

April 1, 2014

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

The First National Bank in Altus  
Charter Number 12155

110 East Broadway  
Altus, OK 73521

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 average loan-to-deposit ratio is reasonable and commensurate with similar institutions doing business in southern Oklahoma.
- A majority of the bank's loans were originated within the bank's assessment areas.
- The bank's distribution of loans reflects reasonable penetration to businesses and farms of different sizes and meets the standard for satisfactory performance.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area and meets the standard for satisfactory performance.
- There have been no complaints with respect to the bank's Community Reinvestment Act performance.

**SCOPE OF EXAMINATION**

This Community Reinvestment Act 2014 Performance Evaluation of First National Bank in Altus (FNB) is based upon comparison of the bank's lending activity during the evaluation period to 2010 U.S. Census demographic information and certain information updated to 2013. The bank's assessment area (AA) for this evaluation included Jackson, Kiowa, and Tillman, Greer and Harmon counties in southwestern Oklahoma. In addition to considering the bank's average loan-to-deposit ratio since the last performance evaluation, the bank's primary loan products, business and agricultural loans, were randomly sampled. Thirty (30) business loans and 30 agricultural loans, originated from January 1, 2012 through December 31, 2013, were assessed.

**DESCRIPTION OF INSTITUTION**

FNB is a \$298 million institution headquartered in Altus, Oklahoma. At December 31, 2013, FNB had net loans of \$124 million, or 42% of total assets. The main bank and four branches are located in southwestern Oklahoma. A fifth branch was recently opened in Edmond, Oklahoma on January 2, 2014, and is operated as Frazer Bank. Since 2012, this banking center has been operated as the FNB in Altus Loan Production Office (LPO) in Oklahoma City. However, it has now been transitioned into the full-service Frazer Bank Edmond branch.

FNB is wholly owned by First Altus Bancorp, Incorporated, a one-bank holding company. The bank operates six Oklahoma banking centers. The main office and one branch are located in Altus, and there are branches in the towns of Hobart, Frederick,

Tipton, and now Edmond, Oklahoma. All branches except the Tipton and Frazer Bank, Edmond branches offer drive-in banking. The main bank and drive-in are located at 110 East Broadway, Altus, Oklahoma.

The tables below provide complete information on FNB's branch and ATM locations.

<b>FNB's Branch Locations</b>		
<b>Location</b>	<b>Address</b>	<b>City</b>
Altus Main Bank	110 East Broadway	Altus, OK
Bunker Hill Banking Office	1606 N. Main St.	Altus, OK
Hobart Banking Office	229 S. Broadway	Hobart, OK
Frederick Banking Office	815 N. 10 <sup>th</sup>	Frederick, OK
Tipton Banking Office	100 S. Broadway St.	Tipton, OK
Edmond Banking Office	3540 S. Blvd.	Edmond, OK

<b>FNB's ATM Locations</b>		
<b>Location</b>	<b>Address</b>	<b>City</b>
Altus Main Bank	110 East Broadway	Altus, OK
Bunker Hill Banking Office	1606 N. Main St.	Altus, OK
Hobart Banking Office	229 S. Broadway	Hobart, OK
Frederick Banking Office	815 N. 10 <sup>th</sup>	Frederick, OK
Saginaw Branch	825 N Saginaw Blvd	Saginaw, TX

As of December 31, 2013, FNB's total assets were \$298 million, of which approximately \$124 million, or 42 percent, comprised various types of loans. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Portfolio Composition as of December 31, 2013</b>		
	<b>\$ (000)</b>	<b>%</b>
Commercial/Business Loans	\$72,897	58.80%
Agricultural Loans	\$39,838	32.05%
Residential Real Estate Loans	\$ 6,699	5.40%
Other Loans	\$ 3,299	2.74%
Consumer Loans	\$ 1,247	1.01%
<b>Total</b>	<b>\$123,980</b>	<b>100.00%</b>

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

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA. A "**Satisfactory**" rating was assigned at the last Community Reinvestment Act performance evaluation, which was performed as of June 3, 2009.

The bank's strategic focus is to continue to support the economic growth and development of its AA by providing competitive banking solutions for commercial, agriculture and consumer customers. FNB meets these needs by providing various

types of loan and deposit products and services, as well as Internet Banking, telephone banking and mobile banking. The ability to lend in its AAs continues to be impacted by very strong competition from a substantial number of other banks and financial institutions, or branches of those institutions.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB has defined its southwest Oklahoma AA as the counties of Jackson (8 census tracts), Kiowa (3 census tracts), and Tillman (5 census tracts). The southwest Oklahoma AA is comprised of 16 census tracts. None of these counties is located in a Metropolitan Statistical Area (MSA). Of the 16 census tracts in this AA, one tract (in Tillman County) is a low-income geography, 3 tracts are moderate-income geographies, 12 tracts are middle-income geographies, and 3 tracts are upper-income geographies. Three (3) census tracts in in Kiowa County, 3 tracts in Tillman County, and 2 tracts in Greer County are designated as Middle-Income Non-Metropolitan Distressed or Underserved Geographies.

The FNB Loan Production Office (LPO) in Oklahoma City was converted to Frazer Bank, a division of FNB Altus, and opened as a full-service branch in Edmond, OK on January 2, 2014. The market area for this new banking center is the Oklahoma City Metropolitan Statistical Area (MSA). Since this branch has been in operation for only three months, there has been insufficient lending at this location to warrant including it in the 2014 CRA performance evaluation.

The economy in FNB's southwest Oklahoma AA is somewhat diversified due to the number of small business and agricultural operations in the region. The largest employer and principal driver of the local economy is the Altus Air Force Base. Other key employers in the Jackson County, Altus area are the Altus Public Schools, the City of Altus, and Bar-S Foods. In Hobart, Kiowa County, the principal employers are the Hobart Public Schools, Chicago Rawhide, and SKF; and in Frederick, Tillman County, principal employers are the Frederick Public Schools and Metzler Automotive.

Several other national and state chartered banks or branches of those institutions, as well as numerous finance companies also serve the community credit needs and business opportunities.

A community contact was interviewed who described a stable local economy. However, the contact noted that local agriculture and retail sectors are being impacted by the extended drought in southwest Oklahoma. The lack of moisture has reduced the wheat and cotton harvests and the lands available for grazing cattle. The corresponding slowdown in agriculture has, in turn, affected related industries and threatens employment.

The contact also indicated a need for affordable housing, given the increase in recruits at the Altus Air Force Training base. According to the contact, bankers in the Altus, Oklahoma region are very involved in helping small businesses, and work closely with

the Technology and Small Business and development Centers. She felt they are supportive of local retail and commercial business, as well as local farmers. Finally, the contact noted that FNB is among the bankers actively involved in civic and community organizations.

Selected information about the demographics of FNB's Southern Oklahoma AAs is detailed in the table below.

<b>Demographic and Economic Characteristics of FNB'S Southwestern Oklahoma AA</b>	
<i>Population</i>	
Number of Families	13,932
Number of Households	20,491
<i>Geographies</i>	
Number of Census Tracts/BNA	19
% Low-Income Census Tracts/BNA	5.26%
% Moderate-Income Census Tracts/BNA	15.79%
% Middle-Income Census Tracts/BNA	63.16%
% Upper-Income Census Tracts/BNA	15.79%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$42,932
2013 FFIEC-Adjusted MFI	\$44,730
<i>Economic Indicators</i>	
Unemployment Rate	3.64%
2010 Median Housing Value	\$66,959
% of Households Below Poverty Level	18.30%

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

According to the 2010 U.S. Census Data, FNB's AA has a population of 53,045. Additionally, there were 20,491 households containing 13,932 families. Of the 13,932 families: 23.66 percent are low-income, 16.48 percent are moderate-income, 20.78 percent are middle-income, and 39.08 percent are upper-income families. The 2010 Census Median Family Income for the AA is \$42,932 and the FFIEC-Adjusted 2013 Median Family Income is \$44,730. The AA contains 25,700 housing units and 13,477, or 52.44 percent, of those units are owner occupied. Households below the poverty level total 18.30 percent and households that receive public assistance equal 5.15 percent.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending Test

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

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable, and in light of the bank's performance context, and meets the standard for satisfactory performance. It is also commensurate with similar institutions doing business in southern Oklahoma. The bank's LTD ratio is skewed downward because of operational strategies. When the December 31, 2013 LTD ratio is adjusted for loanable deposits, it compared favorably to five of seven similar institutions. The bank's average quarterly LTD ratio adjusted for loanable deposits from June 30, 2009 to December 31, 2013 was 52.02 percent. This average since the last examination was compared to seven similar banks located in or adjacent to FNB's AA with total assets between \$150 million and \$550 million for the same period. These average LTD ratios are listed in the following table:

Loan-to-Deposit Ratios		
Institution	Total Assets as of 12/31/2013 (000s)	Average LTD Ratio
Stockmans Bank, Altus, OK	\$151,556	94.05%
NBC Oklahoma, Oklahoma City, OK	\$534,975	85.03%
First National Bank & Trust, Chickasha, OK	\$445,445	77.48%
City National Bank & Trust of Lawton, OK	\$321,888	69.22%
Liberty National Bank, Lawton, OK	\$239,455	62.52%
Shamrock Bank, Coalgate, OK	\$255,546	54.84%
<b>First National Bank in Altus, OK</b>	<b>\$297,646</b>	<b>41.46%</b>
First National Bank & Trust, Shawnee, OK	\$241,616	45.46%

Source: Institution Reports of Condition from June 30, 2009 to December 31, 2013.

### Lending in Assessment Area

A majority of FNB's lending is inside the AA. Based on our business and farm loan samples from the period January 1, 2012 through December 31, 2013, 58.33 percent of the number of loans was in the bank's AA, although only about 32 percent of the dollars loaned were extended to borrowers in the AA. The table below details the bank's lending in assessment area based on the loan samples.

<b>Lending in AA</b>										
Loan Type	Number of Loans					Dollars of Loans (x000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	11	36.67	19	63.33	30	\$2,345	25.28	\$6,930	74.72	\$9,274
Farm Loans	24	80.00	6	20.00	30	\$4,832	36.73	\$8,325	63.27	\$13,157
Totals	35	58.33	25	41.67	60	\$7,176	31.99	\$15,255	68.01	\$22,431

Source: Business and Farm Loan sampling 2012 & 2013.

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

FNB's overall distribution of loans by revenues of businesses and farms is reasonable and meets the standard for satisfactory performance.

#### Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. By number of loans, 70 percent of the bank's loans to businesses originated during the loan-sampling period were made to small businesses with gross annual revenues of one million dollars or less. The percentage by dollar amount; however, is much less than the percentage of reporting businesses. This reflects very large loans made to businesses sampled whose revenues exceed one million dollars and is consistent with the "Lending in the AA" table above. The following table details the borrower distribution of loans to businesses in our loan sample.

<b>Distribution of Loans to Businesses of Different Sizes (Non-Farm)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	68.25%	3.02%	28.73%	100%
% of Bank Loans in AA by #	70.00%	30.00%	0.00%	100%
% of Bank Loans in AA by \$	19.18%	80.82%	0.00%	100%

Source: Business Loan sampling 2012 & 2013; Dunn and Bradstreet data.

#### Farm Loans

The distribution of loans to farms reflects reasonable penetration among farms of different sizes. By number of loans, 66.67 percent of the bank's loans to farms originated during the sampling period were made to small farms. Small farms are farms with gross annual revenues of one million dollars or less. As with business loans, the percentage by dollar amount is much less than the percentage of reporting farms because of the large loan amounts associated with farm loans to customers with revenues exceeding one million dollars. Just as with the business loans, this pattern is consistent with the "Lending in the AA" table above. The following table details the borrower distribution of loans to farms in our loan sample.

Distribution of Loans to Farms of Different Sizes				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	98.09%	1.78%	0.13%	100%
% of Bank Loans in AA by #	66.67%	33.33%	0.00%	100%
% of Bank Loans in AA by \$	29.03%	70.97%	0.00%	100%

Source: Business Loan sampling 2012 & 2013; Dunn and Bradstreet data.

### Geographic Distribution of Loans

The distribution of FNB’s business and farm loans to geographies of different income levels meets the standard for satisfactory performance and reflects reasonable dispersion.

#### Business Loans

The bank’s geographic distribution of business loans reflects reasonable dispersion throughout the census tracts of different income levels. By number of loans, 15 percent of the bank’s loans to businesses originated during the sampling period were located in moderate-income census tracts. While the sample did not identify any business loans originated in the one low-income census tract in the FNB AA, this is reasonable given the sample size and the fact there are businesses located in the tract. The following table details the bank’s performance as compared to the percentage of businesses in each census tract income level:

Geographic Distribution of Loans to Businesses (Non-Farm)								
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
Business Loans	3.87%	0.00%	14.02%	15.00%	62.45%	35.00%	19.66%	50.00%

Source: Business Loan sampling 2012 & 2013; 2010 US Census Data

#### Farm Loans

The bank’s geographic dispersion of farm loans reflects excellent dispersion across census tracts of different income levels within the AA. Excellent dispersion was noted in farm loans to moderate-income census tracts, which represented 25 percent of the number of farm loans in our sample. As above, the sample did not identify any farm loans originated in the one low-income census tract in the FNB AA. The following table details the bank’s performance compared to the percentage of farms in each census tract income level:

<b>Geographic Distribution of Loans to Farms</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farm Loans	1.27%	0.00%	13.09%	25.00%	69.76%	20.83%	15.88%	54.17%

*Source: Business Loan sampling 2012 & 2013; 2010 US Census Data*

### **Responses to Complaints**

FNB received no CRA related complaints during the evaluation period.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 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 assessment area 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.