



## **PUBLIC DISCLOSURE**

April 7, 2014

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

Liberty National Bank  
Charter Number 23516

629 S. W. C Avenue  
Lawton, OK 73501

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 loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank generates a substantial 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 businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the AA and exceeds the standard for satisfactory performance.

**SCOPE OF EXAMINATION**

We commenced the 2014 Community Reinvestment Act (CRA) Performance Evaluation of Liberty National Bank (LNB) of Lawton, Oklahoma on April 7, 2014. The bank's lending activity during the evaluation period was compared to the 2010 US Census demographic information and certain information updated to 2013. The bank's AA for this evaluation included the Lawton, Oklahoma Metropolitan Statistical Area (MSA). Commercial/business lending and residential real estate lending are the bank's major loan products. The analysis included a review of all Home Mortgage Disclosure Act (HMDA) reportable loans (home purchase, home improvement, and home refinance lending), and a sample of business loans. These lending products were evaluated using data from the two-year period January 1, 2012 through December 31, 2013.

**DESCRIPTION OF INSTITUTION**

LNB is a community bank headquartered in Lawton, Oklahoma. It is a subsidiary of B.O.E. Bancshares, Incorporated, a two-bank holding company, also headquartered in Lawton, Oklahoma. Since the prior examination, B.O.E. Bancshares purchased Chickasha Bank & Trust in Chickasha, Oklahoma and they are now considered an affiliate by common ownership with LNB.

The main bank and a drive-thru facility are located at 629 S.W. C Avenue, Lawton, Oklahoma. There are three full-service branches and drive-thru facilities that are located at 4005 W. Gore, Lawton, Oklahoma; 8232 State Highway 17, Elgin, Oklahoma; and 23975 State Highway 49, Lawton, Oklahoma. Automated Teller Machines (ATMs) are located at the main bank, the three branches, and in Fletcher, Oklahoma at 102 State Highway 277, the Lawton Airport, the Comanche County Fairgrounds, the Comanche County Hospital, and in Lawton at 4401 N.W. Cache Road. Since the previous CRA

evaluation, several changes have taken place. The branch in Cache, Oklahoma and the branch on Cache Road in Lawton, Oklahoma were closed due to limited business activity as a result of overlapping market areas. No other locations have been opened or closed since the previous CRA evaluation.

The bank's primary focus is to serve consumer, agricultural and commercial customers in Comanche, Caddo, Cotton, Grady, Kiowa, Stephens, and Tillman Counties. The bank meets these needs by providing traditional loan and deposit products. The bank also provides various government guaranteed loan products. The bank offers 24 hour account access by telephone and Internet Banking with Bill Payment Services. Since the last review, Remote Deposit Capture and Mobile Banking services have been added to the product line. The Mortgage Loan Department at the main bank location was dissolved; however, applicants are referred to another mortgage lender.

As of December 31, 2013, the bank's total assets equaled \$240 million, of which \$153 million, or 64 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:

<b>Loan Portfolio Composition as of December 31, 2013</b>		
<b>Loan Category</b>	<b>\$ (000s)</b>	<b>%</b>
Commercial Loans	\$98,366	64.20%
Residential Real Estate Loans	\$31,278	20.42%
Agricultural Loans	\$16,370	10.68%
Consumer Loans	\$7,055	4.60%
Other Loans	\$157	0.10%
<b>Total</b>	<b>\$153,226</b>	<b>100%</b>

*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. LNB is involved in and provides support to the community's financial needs. The bank received an overall rating of "Outstanding" at the last CRA examination dated August 22, 2007.

## **DESCRIPTION OF ASSESSMENT AREA**

The AA adopted by LNB 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.

LNB has internally identified their AA as Comanche County, which includes the Lawton, OK MSA, and the six surrounding counties; Caddo, Cotton, Grady, Kiowa, Stephens, and Tillman. Grady County is located in the Oklahoma City, OK MSA. For purposes of this evaluation, the AA will be the Lawton MSA (Comanche County), as all branches are located in this county and there are no deposit taking ATMs in any of the contiguous

counties. The majority of the deposits and loans are in the Lawton MSA AA (Comanche County). The Lawton MSA AA includes 32 census tracts. Of these, 3 tracts are considered low-income, 9 tracts are considered moderate-income, 12 tracts are considered middle-income, and 7 tracts are considered upper-income tracts. The main bank is in a low-income census tract and all of the branches are in middle-income census tracts. The following table describes the major demographic and economic characteristics of the AA based on the 2010 US Census data.

<b>Demographic and Economic Characteristics of LNB's AA</b>	
<i>Population</i>	
Number of Families	30,269
Number of Households	43,757
<i>Geographies</i>	
Number of Census Tracts	32
% Low-Income Census Tracts	9.37%
% Moderate-Income Census Tracts	28.13%
% Middle-Income Census Tracts	37.50%
% Upper-Income Census Tracts	21.87%
% Not assigned income classification	3.13%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$50,448
2013 FFIEC Adjusted MFI	\$54,800
<i>Economic Indicators</i>	
2010 Median Housing Value	\$102,200
% of Households Below Poverty Level	16.02%

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

The total population of the AA is 124,098 persons. Although there are only three low-income census tracts in the AA, there are low- and moderate-income families in the AA. Of the 30,269 families, 22 percent are low-income families and 18 percent are moderate-income families. Of the 43,757 households, 16 percent are below the poverty level. The median housing value is \$102,200, with the median age of housing stock at 42 years.

Local economic conditions are good. The economy of Lawton is dependent on consumer goods and service businesses and the military. However, over the past 10 - 15 years Lawton has become less dependent on Fort Sill and the oil and gas and agriculture industries. The housing market has been expanding and overflowing into the towns surrounding Lawton. The major employers in the area consist of Lawton Public Schools, Goodyear Tire & Rubber Company, Bar S Foods, and the Fort Sill civilian labor force.

LNB faces strong competition from several other national and state chartered banks and branches of other banks and financial institutions.

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 residential real estate loans and consumer loans at a reasonable rate. LNB is involved in community development activities and programs in the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

This Performance Evaluation assesses LNB'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 LNB's lending performance, major loan products offered by the bank were evaluated. A random sample of 26 commercial loans and all 126 of the residential real estate loans that originated from January 1, 2012 thru December 31, 2013, were selected. Based on the analysis and consistent with available resources and capabilities, LNB is meeting the credit needs of the AA in a satisfactory manner.

### ***Loan-to-Deposit Ratio***

LNB's loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance. The average quarterly LTD ratio from June 30, 2007 through December 31, 2013 is 69 percent. During those periods the LTD ratio ranged from a high of 91 percent in June of 2008 to a low of 55 percent in September of 2011. The quarterly average LTD ratios for the five similarly situated banks in the area are listed in the following table:

Loan-to-Deposit Ratios		
Institution	Total Assets as of 12/31/2013 (000's)	Average LTD Ratio
American National Bank, Ardmore, OK	\$324,795	58%
Citizens Bank & Trust Company of Ardmore, OK	\$196,230	62%
<b>Liberty National Bank, Lawton, Ok</b>	<b>\$239,455</b>	<b>69%</b>
City National Bank and Trust Company of Lawton, OK	\$321,888	70%
Chickasha Bank & Trust Company, Chickasha, OK	\$205,581	85%
Bank of Commerce, Duncan, OK	\$166,230	89%

Source: Institution Reports of Condition from June 30, 2007 to December 31, 2013.

### Lending in Assessment Area

LNB's lending in their AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar volume of loans sampled originated in the bank's AA. This conclusion is based on all of the 126 residential real estate loans and a sample of 27 business loans that originated in 2012 and 2013, as depicted in following table:

Lending in AA										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	99	78%	27	22%	126	8,047	73%	2,991	27%	11,038
Business	26	96%	1	4%	27	7,155	98%	109	2%	7,264
Totals	125	82%	28	18%	153	15,202	83%	3,100	17%	18,302

Source: HMDA LARs 2012 & 2013; Commercial loan sampling 2012 & 2013.

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

LNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The distribution of loans to businesses with revenues of less than \$1 million was excellent; and the penetration of loans to individuals of different income levels is reasonable. The following tables represent the distribution of lending based on the sample of 26 business loans and 99 residential real estate loans extended within the AA. Greater weight was placed on the sample of business loans as the bank does three times the amount of business lending compared to residential real estate lending.

Borrower Distribution of Loans to Businesses in LNB's AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	72%	3%	25%	100%
% of Bank Loans in AA by #	85%	15%	0	100%
% of Bank Loans in AA by \$	74%	26%	0	100%

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

LNB’s loan distribution to small businesses is excellent and exceeds the standard for satisfactory performance. The table reflects that a large percentage (25 percent) 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 LNB’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
Home Purchase	22.03%	5.83%	17.62%	2.94%	21.04%	26.47%	39.30%	64.71%
Home Improvement	22.03%	10.34%	17.62%	27.59%	21.04%	0.00%	39.30%	62.07%
Refinancing	22.03%	9.52%	17.62%	4.76%	21.04%	19.05%	39.30%	66.67%
Total HMDA	22.03%	8.33%	17.62%	11.90%	21.04%	15.48%	39.30%	64.29%

Source: HMDA LARs 2012 & 2013; 2010 US Census data. Loan income data was unavailable for 12.5% of loans originated by the bank.

LNB’s distribution of residential real estate (HMDA) 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. Lending to moderate-income borrowers is reasonable compared to the percentage of moderate-income families represented in the AA. Home purchase and refinance lending to low- and moderate-income borrowers is very poor compared to the percentage of low- and moderate-income families in the AA. Home improvement lending to low- and moderate-income borrowers is reasonable compared to the percentage of low- and moderate-income families in the AA.

This is a significant change from the prior performance evaluation. The decline in penetration in the low- and moderate-income levels is attributed to the bank dissolving their internal mortgage department. The bank has recently started referring mortgage customers to another lender.

**Geographic Distribution of Loans**

The distribution of business loans and residential real estate loans to geographies of different income levels is excellent and exceeds the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of 26 business loans and 99 residential real estate loans extended within the AA.

<b>Geographic Distribution of Loans to Businesses in LNB’s AA</b>								
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	14%	19%	21%	27%	38%	35%	27%	19%

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

The geographic distribution of business loans is excellent and exceeds the standard for satisfactory performance. The bank’s percentage of business loans extended in the low- and moderate-income census tracts exceeds the percentage of businesses in those tracts.

<b>Geographic Distribution of Residential Real Estate Loans in LNB’s AA</b>								
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	2.90%	4.44%	11.20%	17.78%	47.41%	46.67%	38.49%	31.11%
Home Improvement	2.90%	6.67%	11.20%	6.67%	47.41%	50.00%	38.49%	36.67%
Refinancing	2.90%	8.33%	11.20%	4.17%	47.41%	50.00%	38.49%	37.50%
Total HMDA	2.90%	6.06%	11.20%	11.11%	47.41%	48.48%	38.49%	34.34%

Source: HMDA LARs 2012 & 2013; 2010 US Census data.

The geographic distribution of real estate (HMDA) loans extended in the low- and moderate-income census tracts is excellent when compared to the percentage of owner occupied housing in those tracts. The number of loans extended in the low-income tracts is excellent. The number of home improvement and refinance lending in the moderate-income tracts does not compare as favorably as the home purchase loans.

**Responses to Complaints**

LNB has not received any complaints about its 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.