



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 10, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank In Marlow
Charter Number 20838**

**301 West Main
Marlow, OK 73055**

**Comptroller of the Currency
Assistant Deputy Comptroller Kyle M. Jones
Oklahoma City Field Office
301 NW 63rd Street
Harvey Pkwy. Bldg., Suite 490
Oklahoma City, OK 73116**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The major factors that support this rating include:

- A majority of the bank's loans are made within the assessment area.
- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

First National Bank in Marlow, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

DESCRIPTION OF INSTITUTION

First National Bank in Marlow (FNB) is headquartered in Marlow, Oklahoma. It is wholly-owned by Leader First Bancorp, Incorporated, a one-bank holding company. The main bank is located at 301 West Main Street, Marlow, Oklahoma. A full-service branch is located at 1110 South Broadway in Marlow, Oklahoma. Drive-in facilities are located at the main bank and the branch. Automated Teller Machines (ATMs) are located at the branch and a new one was added July 2002 at the Bray General Store at 1003 East Highway 29, in Marlow. FNB's primary focus is to serve commercial, consumer and agricultural customers in its assessment area. FNB meets these needs by providing various types of loan and deposit products and services.

As of September 30, 2002, FNB's total assets equaled \$50.7 million, of which \$28.3 million, or 56 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

| Loan Category | \$ (000) | % |
|-------------------------------|-----------------|---------------|
| Residential Real Estate Loans | 8,640 | 30.52 |
| Agricultural Loans | 7,133 | 25.20 |
| Consumer Loans | 5,369 | 18.97 |
| Commercial Real Estate Loans | 4,850 | 17.13 |
| Commercial Loans | 2,315 | 8.18 |
| Total | 28,307 | 100.00 |

Included in the consumer loans above are 337 Class B supervised loans totaling \$149,000. These loans are primarily designed to benefit consumers of low- and moderate-income. FNB had 278 loans with a maximum maturity of 12 months and are limited to a maximum of \$600.

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received an overall rating of Satisfactory at the last CRA examination dated June 8, 1998.

DESCRIPTION OF FNB IN MARLOW, OKLAHOMA ASSESSMENT AREA

The assessment area 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.

| DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA | |
|---|--------|
| <i>Population</i> | |
| Number of Families | 5,794 |
| Number of Households | 7,338 |
| <i>Geographies</i> | |
| Number of Census Tracts/BNA | 3 |
| % Low-Income Census Tracts/BNA | 0% |
| % Moderate-Income Census Tracts/BNA | 0% |
| % Middle-Income Census Tracts/BNA | 66.67% |
| % Upper-Income Census Tracts/BNA | 33.33% |
| <i>Median Family Income (MFI)</i> | |
| 1990 MFI for AA | 24,139 |
| 2002 HUD-Adjusted MFI | 34,200 |
| <i>Economic Indicators</i> | |
| Unemployment Rate | 3.24% |
| 1990 Median Housing Value | 36,117 |
| % of Households Below Poverty Level | 19.68% |

The assessment area is located in south central Oklahoma and contains 3 Block Number Areas (BNA's). Two BNAs (#8, #9) are located in northern Stephens County and one BNA (#7) is located in southern Grady County. BNAs #7 and #9 are middle-income tracts and #8 is an upper-income tract. The main bank, branch, drive-thru facilities, and the ATMs are all located in BNA #9.

Based on the 1990 census data, the total population of the assessment area is 19,250. Of the 8,536 total housing units, 5,764 or 68 percent are owner occupied. Households below the poverty level total 1,444 or 20 percent and households that receive public assistance total 617 or 8 percent of the total number of households.

The local economic conditions are fairly stable. The economy of Marlow continues to be dependent on oil and gas exploration/production and agriculture. Marlow is considered a bedroom community to Duncan and Lawton. It is estimated that 50 percent of the Marlow residents work in Duncan, Lawton, Chickasha or Oklahoma City. The major employers in the assessment area consist of Haliburton, Family Dollar, Sooner Trailer, Valco and Elliott Mobile Homes.

Local banking competition includes some smaller stand-alone community banks and several branches of larger financial institutions.

A community contact was conducted during this review to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. The bank is considered to be involved in the various community development activities in the area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The Performance Evaluation (PE) assesses the bank'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/farms of different sizes, geographic distribution of loans, and responses to complaints. Because FNB's assessment area does not include any low- or moderate-income BNA's, a geographic distribution of the bank's loans within the assessment area was not performed.

In evaluating the bank's lending performance, a random sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following: consumer loans (20), residential refinance real estate loans (20), and loans to businesses/farms (20) that originated in 2001 and 2002.

Based on the analysis and consistent with available resources and capabilities, the bank is meeting the credit needs of its assessment area in a satisfactory manner.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory given the institution's size, financial condition, and assessment area credit needs. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 1998 through September 30, 2002 of 66.07 percent. The low ratio for the period was 60.73 percent at September 30, 1998. The high ratio for the period was 73.06 percent at September 30, 2001.

The average loan-to-deposit ratio for the 26 banks operating in Stephens County and the 6 surrounding counties at September 30, 2002 was 60.01 percent. The ratios of the group ranged from 21.82 percent to 94.35 percent. As the table below illustrates, the bank's ratio is higher than the other stand-alone banks in the area and in line with other 25 banks in the 7 county area.

| Institution | Average Assets (as of 9/30/02) \$(000) | Average LTD Ratio |
|------------------------------------|---|------------------------------|
| Walters Bank and Trust, Walters | 52,268 | 32.71% |
| American Exchange Bank, Lindsay | 36,444 | 34.15% |
| First National Bank, Lindsay | 24,281 | 51.43% |
| First Farmers NB of Waurika | 38,606 | 52.50% |
| <i>FNB in Marlow</i> | <i>48,823</i> | <i>66.07%</i> |

Lending in the Assessment Area

FNB's lending in their assessment area meets the standards for satisfactory performance. The table below showing the sampled loans and the bank's internal data indicates that a majority of credit is extended within the assessment area.

| TOTAL LOANS REVIEWED | | | | | | | | |
|-----------------------------|---------------------------|----------|-----------------|----------|-------------------------------|----------|-----------------|----------|
| | IN ASSESSMENT AREA | | | | OUT OF ASSESSMENT AREA | | | |
| LOAN TYPE | # | % | \$(000s) | % | # | % | \$(000s) | % |
| Commercial & Agricultural | 14 | 70.00 | 849 | 57.62 | 6 | 30.00 | 625 | 42.38 |
| Consumer | 15 | 75.00 | 83 | 75.81 | 5 | 25.00 | 27 | 24.19 |
| Home Refinance | 20 | 100.00 | 888 | 100.00 | 0 | 0 | 0 | 0 |
| Total Reviewed | 49 | 81.67 | 1,820 | 73.63 | 11 | 18.33 | 652 | 26.37 |

Internal reports produced by the bank indicated that a majority of the loan portfolio was extended within the assessment area. As of September 30, 2002, the analysis reflected 81 percent of the total loan portfolio and 79 percent of the dollar amount were extended within the assessment area.

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

FNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

The following tables represent a reasonable distribution of lending based on the random sample of 20 residential real estate loans, 15 consumer loans and 14 commercial and agriculture loans extended within the assessment area.

| RESIDENTIAL REAL ESTATE | | | | | | | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Families | 19.50 | | 17.40 | | 21.70 | | 41.40 | |
| SAMPLE LOANS | % of Number | % of Amount |
| | 10.00 | 1.49 | 25.00 | 17.44 | 15.00 | 10.32 | 50.00 | 70.75 |

The number and amount of real estate loans extended to low- and moderate-income families compares reasonably to the percentages of those families represented in the assessment area.

| CONSUMER | | | | | | | | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Households | 23.70 | | 14.60 | | 16.80 | | 44.90 | |
| SAMPLE LOANS | % of Number | % of Amount |
| | 40.00 | 20.63 | 26.67 | 27.94 | 6.66 | 8.28 | 26.67 | 43.15 |

The number and amount of consumer loans extended to low- and moderate-income households compares favorably to the percentages of those households represented in the assessment area.

| BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES | | |
|--|--------------|--------------|
| Business Revenues | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Businesses* | 73.30 | 5.34 |
| % of Bank Loans in AA # | 92.86 | 7.14 |
| % of Bank Loans in AA \$ | 91.29 | 8.71 |

*21.36 percent of Businesses did not report revenues.

The level of commercial/agriculture loans revealed that a majority of loans were extended to small businesses with annual gross revenues of less than \$1 million per year.

Additionally, FNB offers a mortgage product to better meet the housing needs of low- and

moderate-income individuals. The Rural First Time Homebuyer Program (RFHP) is a down payment assistance program designed to help first time homebuyers in rural areas purchase a home. To qualify, the homebuyer must have an income that is 80 percent or lower of the areas median income. In 2002, the borrowers income could not exceed \$32,400. The maximum RFHP subsidy per household in 2002 was \$4,000. If the borrower remains in home for 5 years, then the \$4,000 second real estate mortgage is released. FNB has offered this loan product for a few years. As of January 6, 2003, FNB had 20 loans totaling \$628,000. FNB has applied for \$50,000 for 2003.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since there are no low- or moderate-income BNAs in the assessment area.

Responses to Complaints

There have been no consumer complaints regarding the bank's CRA performance during the evaluation period.

Fair Lending Review

An analysis of 1999 -2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. The bank has a good history of complying with anti-discrimination laws. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.