



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 27, 2012**

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

The First National Bank in Marlow  
Charter Number 20838

301 West Main Street  
Marlow, OK 73055-0000

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.
- The distribution of loans represents a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The loan-to-deposit ratio is reasonable and commensurate with similarly situated institutions.
- A substantial majority of the primary loan products are extended inside the bank's assessment areas.

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

## SCOPE OF EXAMINATION

First National Bank in Marlow (FNB) 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 Stephens County and one census tract in the southern portion of Grady County.

FNB products sampled include residential real estate loans and business loans originated in 2009, 2010, and 2011. FNB does not have any offices located in a metropolitan Statistical Area and is therefore not required to complete the Home Mortgage Disclosure Act reporting log.

## DESCRIPTION OF INSTITUTION

FNB is a community bank located in Marlow, Oklahoma. FNB is wholly owned by Leader First Bancorp, Incorporated, a one-bank holding company. FNB's main office is located at 301 West Main Street, Marlow, Oklahoma, with a drive-thru facility located at 1110 South Broadway in Marlow. A new branch has been opened since the previous Community Reinvestment Act (CRA) examination. The new branch location is 228 West Oak Main, Comanche, Oklahoma. Automated Teller Machines (ATMs), five of which are new since the prior CRA exam, are located at the following locations:

<b>Automated Teller Machine Locations</b>		
Shop N Bag Duncan	#2 S. Hwy 81; Duncan	Existing
Central High Community Bldg	2207 S 7 Mile Road; Marlow	New
FNB South Branch Drive Thru	1102 S Hwy 81; Marlow	Existing
FNB Comanche Branch	228 Oak Main Ave; Comanche	New
Shop N Bag Marlow	811 S Broadway; Marlow	Existing
Hop & Sack Lawton	2515 NW Sheridan Rd; Lawton	Existing
Hop & Sack Marlow	202 N Broadway; Marlow	Existing
Chisholm Corner #7	1102 N Broadway; Marlow	New
Edgewood Kwik Mart	RT 1 Box 222; Comanche	New
Meridian Kwik Mart	RT 2 Box 368; Comanche	New

Source: Bank Information

The primary focus of FNB is to serve consumer and commercial customers in Marlow and the surrounding areas. FNB is a full-service institution providing traditional loan and deposit products to meet the needs of community. As of December 31, 2011, total bank assets amounted to \$67 million and the net loans to total assets ratio equaled 50 percent. The principal loan mix of FNB 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>
Consumer & Related Real Estate	\$17,319	51.7%
Commercial & Related Real Estate	\$15,281	45.6%
Agricultural Loans	\$896	2.7%
Other	\$23	0.1%

Source: 12/31/2011 Call Report Data

There are no legal or financial impediments to FNB's ability to meet the credit needs of its assessment area. The bank was rated Satisfactory at its last CRA examination dated June 26, 2007.

## DESCRIPTION OF ASSESSMENT AREA(S)

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

FNB's assessment area consists of all ten census tracts, as of 2000 Census Data, within Stephens County and one census tract located in the southern portion of Grady County. The main bank, drive-thru facility, and Comanche branch are located within middle-income census tracts. The majority of census tracts in the assessment area are middle-income. The following table based on 2000 US Census data describes major demographic and economic characteristics of FNB's assessment area:

<b>Demographic and Economic Characteristics of Stephens/Grady AA</b>					
	<b>#</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>
<b>Geographies (Census Tracts)</b>	11	0%	27%	55%	18%
<b>Population by Geography</b>	50,609	0%	33%	50%	17%
<b>Owner-Occupied Housing by Geography</b>	15,510	0%	62%	68%	73%
<b>Businesses by Geography (non-farm)</b>	4,841	0%	25%	53%	22%
<b>Farms by Geography</b>	313	0%	42%	50%	8%
<b>Family Distribution by Income Level</b>	14,907	0%	32%	51%	18%
<b>Household Distribution by Income Level</b>	20,360	0%	32%	50%	18%
<b>Census Median Family Income (MFI) Non-MSA</b>			<b>Median Housing Value</b>		\$54,183
<b>HUD-Adjusted MFI: 2011</b>	\$48,800	<b>Households Below the Poverty Level</b>		16%	
<b>HUD- Adjusted MFI: 2010</b>	\$47,200	<b>Households on Social Security</b>		35%	
<b>HUD – Adjusted MFI 2009</b>	\$46,400	<b>Households on Retirement</b>		18%	

Source: 2000 U.S. Census Data

The current state of the local economy for the assessment area is characterized as good. The recent economic downturn had little impact on businesses and families in the assessment area. Average unemployment for the area is low at roughly 5 percent compared to the south census region unemployment of 8 percent. Major employers in Stephens County are: Wilco Machine & Fabrication, Halliburton, Family Dollar Distribution Center, County offices, and the local school systems. Competition stems from branches of larger financial institutions in Marlow, and other financial institutions located in the surrounding areas, including Duncan.

In conducting the assessment of the bank's performance, a community contact was made with a member of the local government body. This contact indicated that lending needs of the community were being adequately satisfied. The core financial need of the community is loans to individuals and businesses. Additionally, there is a general need for low- and moderate-income housing. FNB is actively involved in the community and takes a proactive role in satisfying the needs of the community and its members.

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

This Performance Evaluation assesses FNB'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.

To evaluate FNB's lending performance, 152 residential real estate loans and 28 business loans originated in 2009, 2010, and 2011 were evaluated. Residential real estate loans and business loans serve as FNB's primary loan products. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

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

FNB'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 64 percent for the period ranging from June 30, 2007 through December 31, 2011. Ratios of four similarly situated banks were evaluated over the same period. The quarterly average LTD ratio for the other institutions is 62 percent with a range from 44 percent to 83 percent. The following table shows total assets as of December 31, 2011, and the average LTD ratio for FNB Marlow; as well as, the average LTD ratio of the other four similarly situated banks:

Institution	Assets as of 12/31/11 \$(000)	Average LTD Ratio
<b>The First National Bank in Marlow</b>	<b>\$66,967</b>	<b>64.12</b>
First State Bank, The	\$35,349	83.19
State Bank of Wynnewood, The	\$72,218	73.82
The First Farmers National Bank of Waurika	\$44,968	50.21
The First National Bank of Lindsay	\$37,825	44.11

Source: Uniform Bank Performance Reports

### Lending in Assessment Area

FNB's lending in their assessment area exceeds the standard for satisfactory performance. A substantial majority of the residential real estate loans and business loans were originated in the bank's assessment area. This conclusion is based on the sample of 152 residential real estate loans and 28 business loans that originated in 2009, 2010, and 2011, as depicted in the following table:

Lending in Stephens/Grady AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate	138	91%	14	9%	152	8,107,470	89%	1,018,761	11%	9,126,231
Commercial Non-Farm, Non-Res (Businesses)	25	89%	3	11%	28	4,308,152	86%	694,136	14%	5,002,288
Totals	163	91%	17	9%	180	12,415,622	88%	1,712,897	12%	14,128,519

Source: CRA Wiz, Residential Real Estate Loans & Business Loans Sample

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

The distribution of loans reflects a reasonable penetration and meets the standard for satisfactory performance for lending to individuals of different income levels and businesses of different sizes. The following tables represent the distribution of lending based on the 138 residential real estate loans and 25 business loans that originated in 2009, 2010, and 2011 within FNB's assessment area:

Borrower Distribution of Residential Real Estate Loans in Stephens/Grady AA								
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
Residential Real Estate Loans	20.31%	13.77%	19.23%	20.29%	21.53%	21.74%	38.93%	44.20%

Source: 2000 U.S. Census Data & Residential Real Estate Loans Sample

FNB's distribution of residential real estate loans to borrowers of different income levels is reasonable. The number of real estate loans originated to low- and moderate-income borrowers is comparable to the percentage of low- and moderate-income families represented in the assessment area.

<b>Borrower Distribution of Loans to Businesses in Stephens/Grady AA</b>				
Business Revenues (or Sales)	≤ \$1,000,000	>\$1,000,000	Unavailable / Unknown	Total
% of AA Businesses	65.17%	2.21%	32.62%	100%
% of Bank Loans in AA by #	68.00%	32.00%	0.00%	100%
% of Bank Loans in AA by \$	40.96%	59.04%	0.00%	100%

Source: 2000 U.S. Census Data & Business Loans Sample

FNB's distribution of loans to businesses is good. A majority of business loans were originated to small businesses with annual gross revenues of less than \$1 million per year. However, a large percentage of the businesses in the assessment area did not report revenues or revenues were unavailable or unknown, as reflected in the table above.

### Geographic Distribution of Loans

Distribution of FNB's residential real estate loans and business loans to geographies of different income levels meets the standard for satisfactory performance and is considered reasonable. There are no low-income census tracts in the assessment area, and only three of the eleven census tracts are designated as moderate-income. The following tables represent the distribution of lending within the assessment area:

<b>Geographic Distribution of Residential Real Estate Loans in Stephens/Grady AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential Real Estate Loans	0.00%	0.00%	30.17%	7.97%	51.14%	89.13%	18.68%	2.90%

Source: 2000 U.S. Census Data & Residential Real Estate Loan Sample

<b>Geographic Distribution of Loans to Businesses in Stephens/Grady AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
Commercial Non-Farm, Non-Res	0.00%	0.00%	24.93%	0.00%	53.48%	100.00%	21.59%	0.00%

Source: 2000 U.S. Census Data & Business Loan Sample

The residential real estate and business loans evaluated reflected a lack of loans originated in moderate-income census tracts. However, the lack loans originated in moderate-income tracts is attributed to the location of those census tracts. All three moderate-income tracts are located in areas that limit FNB's lending opportunities. Two of the three moderate-income tracts are located within the City of Duncan, a larger community, which has several other, more conveniently located, financial institutions to service lending needs. The competition in Duncan is a factor in FNB's lack of penetration in moderate-income census tracts. The third moderate-income tract is located in the southern portion of Grady County which is a rural agricultural area with limited lending opportunity for residential real estate and business loans. The review did note that an acceptable number of loans are originated to low- and moderate-income individuals and businesses with revenues less than or equal to \$1 million in the assessment area.

### **Responses to Complaints**

There have been no consumer complaints pertaining to FNB'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.