



## PUBLIC DISCLOSURE

February 22, 2016

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The City National Bank and Trust Company of Lawton, Oklahoma**  
Charter Number 5753

500 Montgomery Square  
Lawton, OK 73501

Office of the Comptroller of the Currency

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.

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## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

Assigned ratings are based on the following conclusions:

- A substantial majority of City National Bank's (CNB's) loans were originated within the bank's assessment areas (AAs);
- The loan-to-deposit (LTD) ratio is reasonable and meets the standard for satisfactory performance;
- The bank's distribution of loans reflects reasonable penetration to individuals and businesses of different income levels and meets the standard for satisfactory performance;
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs and meets the standard for satisfactory performance; and,
- CNB's community development (CD) performance demonstrates excellent responsiveness to the CD needs of the AAs.

## **Scope of Examination**

To assess CNB's performance under the Community Reinvestment Act (CRA) regulations, we analyzed the bank's activities in and around its declared AAs. This *Performance Evaluation* is based on 2010 US Census demographic information. This is the bank's first time to be evaluated under Intermediate Small Bank CRA procedures.

We divided CNB's AA into five distinct areas for review. In the State of Oklahoma, the Lawton Metropolitan Statistical Area (MSA) received a full-scope review. Limited-scope reviews were performed for the Oklahoma City MSA Partial, the Tulsa MSA Partial and the Rural Non-MSA AAs. On August 30, 2012, CNB opened three Wal-Mart stores in Wichita, Kansas. In the State of Kansas, the Wichita MSA Partial received a full-scope review. The State of Kansas does not have any limited-scope AAs. In full-scope reviews, the data used to evaluate performance under each test is analyzed considering complete performance context information, quantitative factors (e.g. lending volume, distribution of branches, geographical and borrower distribution) and qualitative factors (e.g. innovation and complexity of products offered). Full-scope reviews are conducted in AAs where the bank has a substantial share of its deposit and loan business. The Lawton MSA contains 92 percent of the bank's loans and 84 percent of the bank's deposits in the State of Oklahoma. The State of Oklahoma contains 99 percent of the bank's total loans and deposits bank wide. Limited-scope reviews are targeted to specific products over a defined portion of the AA.

The full-scope review of the Lawton MSA included a review of small business loans and Home Mortgage Disclosure Act (HMDA) reportable loans (home purchase, home refinance, and home improvement loans) originated in 2013, 2014, and 2015. These are the major loan products for

the bank. The three limited-scope AAs consist almost entirely of Wal-Mart branches, of which the majority of lending is composed of consumer loans. Lending performance in the three limited-scope AAs was evaluated by sampling unsecured consumer loans originated in 2013, 2014 and 2015. The full-scope review of the Wichita MSA Partial AA, consisting of three Wal-Mart branches, included a review of unsecured consumer loans and CD/Savings secured consumer loans.

A Data Integrity examination was conducted in February 2016 to evaluate the bank's process to accurately collect and report HMDA data. We found the bank had an adequate process, along with internal controls, to accurately collect and report HMDA information. As a result, HMDA submitted data was used during this CRA review to assess lending performance.

## Description of Institution

CNB is headquartered in Lawton, Oklahoma. The J. R. Montgomery Bancorporation, a two-bank holding company, owns 100 percent of CNB and 100 percent of FSNB N.A. (FSNB). Intercompany transactions are limited, as each bank has separate Board of Directors and officers. Each bank focuses on serving separate clientele, with some overlap noted within the City of Lawton.

Brick and mortar branches with drive-through locations in the Lawton MSA include the main bank located at 500 Montgomery Square, 5<sup>th</sup> Street at D Avenue, the Gore branch located at 4113 W. Gore Blvd. and the Marketplace branch is located at 18836 NW 82<sup>nd</sup> Street. Three additional locations in the Lawton community include branches located inside the Wal-Mart store at 1002 N. Sheridan Road, inside the Country Mart East grocery store at 4510 SE Lee Blvd., and inside the Wal-Mart Super Center at 6301 NW Quanah Parker Trailway.

The limited-scope AAs in Oklahoma include three stand-alone branches with drive-through facilities located at 5801 E 41<sup>st</sup> Street and 5800 S Lewis Avenue, Suite 159, both in Tulsa, Oklahoma and 1425 S Santa Fe Avenue, Suite A in Edmond, Oklahoma. In addition to the six Lawton locations and the three stand-alone branches, CNB has twenty-six additional Wal-Mart Super Center or Wal-Mart Neighborhood Market branches located throughout the State of Oklahoma. During the evaluation period, CNB opened three Wal-Mart branches in Wichita, Kansas on August 30, 2012. A Wal-Mart branch was opened in Lawton and one in Oklahoma City in September 2103 and October 2015, respectively. In October 2014, CNB closed a grocery store branch in Lawton, Oklahoma. CNB has eighty-three automated teller machines (ATMs). Six of the ATMs accept deposits.

CNB's primary focus is to serve the commercial, consumer, and agricultural needs of customers located in the AAs. CNB meets these needs by providing various types of loan and deposit products and services, as well as Internet Banking with Bill Payment and a 24 hour Telephone Access System. The bank also offers Small Business Administration loans. Bank lobby services are provided Monday through Saturday at most locations, with all of the Wal-Mart locations having extended hours Monday through Saturday. Six bank locations have Monday through Saturday drive-through services. CNB has a Trust Department located at the main bank. The bank's lending strategy focuses mainly on commercial loans and residential real estate loans in the Lawton AA and retail lending at the Wal-Mart locations.

As of December 31, 2015, CNB's total assets equaled \$329 million, of which \$201 million or 61 percent were comprised of various types of loans to individuals, commercial businesses, and commercial and residential real estate. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Real Estate Loans	\$169,222	84%
Commercial Loans	\$17,457	9%
Individual Loans	\$6,508	3%
Agriculture Loans	\$2,553	1%
Other Loans	\$5,457	3%
<b>Total</b>	<b>\$201,197</b>	<b>100.00%</b>

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the AAs. CNB is involved in and provides support to meet the community's financial needs. The bank received an overall rating of "Satisfactory" at the last Small Bank Community Reinvestment Act evaluation dated April 23, 2012. This is CNB's first time to be evaluated under Intermediate Small Bank CRA procedures.

## **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, a sample of AAs within that state was selected for full-scope reviews. In general, the AAs selected for the full-scope review have the largest percentage of CNB's deposits, loans and branch locations in the state. At least one full-scope AA is assigned to each rated area to include the two states in which the bank has operations.

Refer to the *Appendix A: Scope of Examination* for details regarding how the full and limited-scope areas were selected.

## **Ratings**

The bank's overall rating is a blend of the state ratings. The rating for the State of Oklahoma carried the most weight since 99 percent of the bank's total loans and deposits are held in the State of Oklahoma. The State of Kansas carries less than one percent of the bank's loans and deposits and, therefore, does not significantly influence the overall rating.

We based the ratings on the areas that received full-scope reviews. To a lesser extent, we considered the bank's performance in areas receiving limited-scope reviews. The full-scope AA in the State of Oklahoma was the Lawton MSA and the full-scope AA in the State of Kansas was the Wichita MSA Partial.

In the Lawton MSA full-scope AA, HMDA and small business loans originated in 2013, 2014 and 2015 were sampled to assess CNB's lending performance. Equal weight was given to each

loan product when assessing lending performance. In the limited-scope AAs in the State of Oklahoma, consisting of the Oklahoma City MSA Partial, the Tulsa MSA Partial and the Rural Non-MSA, unsecured consumer loans were sampled to assess lending performance. Limited-scope areas carried less weight when assessing lending performance. The Wichita MSA Partial full-scope AA is the only AA in the State of Kansas. Unsecured consumer loans and CD/Savings secured consumer loans were sampled in this full-scope AA. Refer to the “Scope” section under each state for details regarding how these areas were weighted in arriving at the respective ratings.

## Conclusions with Respect to Performance Criteria

### Lending Test

CNB’s performance under the Lending Test is rated satisfactory. The LTD ratio is reasonable when compared to similarly situated institutions. A majority of the bank’s loans were originated in the bank’s AAs. The bank’s distribution of loans to LMI individuals and geographies is reasonable.

### Loan-to-Deposit Ratio

CNB’s LTD ratio is reasonable and meets the standard for satisfactory performance. The bank’s LTD ratio at December 31, 2015, was 70 percent. The bank’s average quarterly LTD ratio from June 30, 2012, through December 31, 2015, was 68 percent. This average was compared to the average of four similar banks located in CNB’s AA or the surrounding counties, with total assets between \$250 million and \$500 million, for the same time period. CNB’s average LTD ratio is slightly higher than the average of the four comparable banks of 64 percent. These average LTD ratios are detailed in the following table.

<b>Loan-To-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$000’s (As of 12/31/15)</b>	<b>Average Loan -to-Deposit Ratio</b>
<i>The City National Bank and Trust, Lawton, OK</i>	<b>\$328,884</b>	<b>68.19%</b>
First National Bank & Trust, Shawnee, OK	\$252,018	42.35%
First Bank & Trust Co., Duncan, OK	\$586,172	71.31%
Liberty National Bank, Lawton, OK	\$444,118	68.72%
The First National Bank and Trust Co., Chickasha, OK	\$530,104	74.38%

*Source: Institution Reports of Condition from June 30, 2012 to December 31, 2015*

## Lending in Assessment Area

CNB's lending in its AAs exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of home mortgage, small business and consumer loans originated within the bank's AAs. As depicted in the following table, 88.90 percent of the number and 84.51 percent of the dollar amount of loans originated in CNB's AA.

Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	343	90.98	34	9.02	377	\$36,010	85.75	\$5,985	14.25	\$41,995
Home Improvement	159	86.89	24	13.11	183	\$2,423	93.19	\$177	6.81	\$2,600
Refinance	103	86.55	16	13.45	119	\$13,256	80.88	\$3,133	19.12	\$16,389
Small Business	28	93.33	2	6.67	30	\$2,093	78.96	\$558	21.04	\$2,651
Consumer Unsecured	99	84.62	18	15.38	117	\$239	82.86	\$49	17.14	\$288
Consumer CD/Savings Secured	29	96.67	1	3.33	30	\$40	88.89	\$5	11.11	\$45
Totals	761	88.90	95	11.10	856	\$54,061	84.51	\$9,907	15.49	\$63,968

Source: Data reported for 2013, 2014, and 2015 HMD, Small Business and Consumer Loans.

## 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.

## State Rating

### State of Oklahoma

**CRA Rating for Oklahoma: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Outstanding.**

CNB's overall performance in Oklahoma is satisfactory.

- CNB's distribution of home mortgage, consumer and small business loans by income levels reflects a reasonable penetration and meets the standard for satisfactory performance;
- The bank's distribution of loans by geography is reasonable and meets the standard for satisfactory performance;
- Community development lending is substantial and indicates excellent responsiveness to the needs of the bank's AAs;
- The bank provided an adequate amount of qualified CD investments and services within its AAs.

### Description of Institution's Operations in Oklahoma

Four AAs were considered in evaluating CNB's CRA performance. These AAs are defined as the Lawton MSA, the Oklahoma City MSA Partial, the Tulsa MSA Partial, and the Rural Non-MSA.

In the State of Oklahoma, the full-scope Lawton MSA is comprised of Comanche County. Comanche County is the only county in the MSA. This AA encompasses 32 contiguous census tracts in southwestern Oklahoma. Based on 2010 data, the United States Census Bureau identifies three census tracts as low-income, nine tracts as moderate-income, 12 tracts as middle-income, seven tracts as upper-income and one tract is not applicable. The total population of the AA is 124,000. Additionally, there are 30,000 families and 44,000 households. The 30,000 families statistically break into low, moderate, middle, and upper incomes at 22 percent, 18 percent, 21 percent, and 39 percent, respectively. The AA contains 49,000 housing units with 26,000, or 52 percent, being owner occupied. There is also a large volume of rental occupied units in the AA. Rental occupied units total 18,000 and represent 36 percent of the available housing type. Households below the poverty level are 16 percent and households that receive public assistance total 4 percent. The main bank is located in a low-income census tract, the Gore branch and two Wal-Mart branches are located in Middle-income tracts, and two other Wal-Mart branches are located in upper-income tracts. The majority of the census tracts in the Lawton

MSA AA are moderate- and middle-income census tracts. The following table describes major demographic and economic characteristics of the Lawton MSA AA, based on 2010 U.S. Census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF LAWTON MSA AA</b>	
<b>Population</b>	
Number of Families	30,269
Number of Households	43,757
<b>Geographies</b>	
Number of Census Tracts	32
% Low-Income Census Tracts	9.38%
% Moderate-Income Census Tracts	28.13%
% Middle-Income Census Tracts	37.50%
% Upper-Income Census Tracts	21.88%
% Not Applicable Census Tracts	3.11%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$51,174
2014 HUD-Adjusted MFI	\$50,410
<b>Economic Indicators</b>	
Unemployment Rate	4.39%
2010 Median Housing Value	\$102,200
% Of Households Below Poverty Level	16.02%

The local economy of Comanche County is stable. Growth and employment have been flat and real estate markets have slowed in the recent past, but the area has started to see some improvement. The economy of Lawton is dependent upon consumer goods and service businesses to the military. However, over the past several years, Lawton has strived to become less dependent on the Fort Sill Army Base, and oil and gas, and agricultural industries. The major employers in the Lawton MSA consist of Fort Sill Army Base, Goodyear Tire and Rubber Company, Lawton Public Schools, and Comanche County Memorial Hospital.

Local banking competition includes several other independent national and state chartered banks and branches of other banks and financial institutions based in Oklahoma, as well as, across the nation.

Community contacts were reviewed to help ascertain the credit needs of the Lawton MSA AA. Contacts indicated that the local economy is stable. The local economy continues to benefit from some of the larger employers in the area, like Fort Sill Army Base and Goodyear. The real estate market has remained stable, with several housing developments currently underway. The housing projects are targeted to the upper end of the price range. According to the contact, the immediate credit needs of the community are affordable housing, including rental units. The contact stated that the local banks are involved in community projects.

Limited-scope AAs have been defined for the municipalities outside Comanche County, in which the bank has stand-alone branches, Wal-Mart Super Center, or Wal-Mart Neighborhood Market branch locations. These AAs are designated as the Oklahoma City Partial MSA, the Tulsa Partial MSA, and Rural Non-MSA. Loan applications are taken at these locations and then forwarded to the main bank in Lawton where the credit underwriting decision is made. Regional Managers have some lending authority when the main bank location is closed. The limited-scope AAs are described below; however, due to the limited market share that these Wal-Mart branches have within their respective communities, in-depth demographic data is not provided.

The Oklahoma City MSA Partial AA includes four of the seven counties in the Oklahoma City MSA consisting of Oklahoma, Grady, Canadian, and Logan Counties. This AA encompasses 288 contiguous census tracts in central Oklahoma. Based on 2010 data, the United States Census Bureau identifies 31 census tracts as low-income, 87 tracts as moderate-income, 99 tracts as middle-income, 68 tracts as upper-income, and 3 tracts as not applicable.

The Tulsa MSA Partial AA includes two of the seven counties in the Tulsa MSA consisting of Tulsa and Wagoner Counties. This AA encompasses 197 contiguous census tracts in northeastern Oklahoma. Based on 2010 data, the United States Census Bureau identifies 19 census tracts as low-income, 57 tracts as moderate-income, 58 tracts as middle-income, and 63 tracts as upper-income. The total population of the AA is 676,000.

## **Scope of Evaluation in Oklahoma**

One full-scope AA was selected for the State of Oklahoma. The full-scope AA is the Lawton MSA. There are three limited-scope AAs in the state; Oklahoma City MSA Partial, Tulsa MSA Partial and Rural Non-MSA. Loan products reviewed in the full-scope AA were all HMDA loans originated in 2013, 2014, and 2015 and a sample of small business loans for the same time period. Unsecured consumer loans were sampled in the limited-scope AAs for the same time period. The State of Oklahoma holds over 99 percent of the bank's total loans and deposits. One loan product was not given more weight than the other when the other when assessing performance.

## **Conclusions with Respect to Performance Tests in Oklahoma**

### **Lending Test**

The bank's performance under the lending test in Oklahoma is rated "Satisfactory". The borrower distribution reflects a reasonable penetration among LMI individuals and businesses of different income levels. CNB's overall geographic distribution of loans reflects a reasonable dispersion among LMI geographies and meets the standard for satisfactory performance.

**Lawton MSA**

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

The overall distribution of loans reflects a reasonable penetration among individuals and businesses of different income levels.

Overall, the distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes and meets the standard for satisfactory performance.

The borrower distribution of home mortgage loans to low-income families is poor for all loan products. This somewhat mitigated given the ability for low income families to qualify for conventional home mortgage products. However, the overall distribution to moderate-income families is reasonable. The distribution of home improvement loans to moderate-income families is excellent. Slightly more weight was given to the distribution to moderate-income families as they can more easily qualify for conventional home mortgage products.

<b>Borrower Distribution of Residential Real Estate Loans in CNB’s Lawton MSA 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	22.01%	5.91%	17.62%	10.91%	21.04%	16.82%	39.33%	66.36%
Home Improvement	22.01%	10.00%	17.62%	23.33%	21.04%	30.00%	39.33%	36.67%
Home Refinance	22.01%	7.58%	17.62%	13.64%	21.04%	15.15%	39.33%	63.64%

*Source: Data reported under HMDA for 2013, 2014 and 2015; U.S. Census data.*

CNB’s borrower distribution of loans to small businesses indicates an excellent penetration as 100 percent of the business loans sampled were to businesses with revenues of less than \$1 million. However, note that 20.43 percent of the businesses did not report their revenues.

<b>Borrower Distribution of Loans to Businesses in CNB’s Lawton MSA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.61%	3.96%	20.43%	100%
% of Bank Loans in AA by #	100%	0.00%	0.00%	100%
% of Bank Loans in AA by \$	100%	0.00%	0.00%	100%

*Source: Loan sample 2013, 2014 and 2015 sample; Dunn and Bradstreet data.*

**Conclusions for Areas Receiving Limited-Scope Reviews**

The borrower distribution of unsecured consumer loans in the limited-scope AAs of Oklahoma City MSA Partial, Tulsa MSA Partial and Non-MSA Rural reflects excellent penetration and exceeds the performance in the full-scope AA.

<b>Borrower Distribution of Consumer Loans in CNB's Oklahoma City MSA Partial AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	17.07%	17.86%	13.16%	42.86%	18.09%	28.57%	51.67%	10.71%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

<b>Borrower Distribution of Consumer Loans in CNB's Tulsa MSA Partial AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	17.57%	20.00%	13.91%	24.00%	18.60%	36.00%	49.93%	20.00%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

<b>Borrower Distribution of Consumer Loans in CNB's Non-MSA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	21.96%	12.50%	16.81%	29.17%	17.68%	20.83%	43.55%	37.50%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

## Geographic Distribution of Loans

CNB's overall geographic distribution of loans reflects a reasonable dispersion among LMI geographies and meets the standard for satisfactory performance.

Overall, CNB's geographic distribution of home mortgage loans is excellent. The bank's geographic distribution of home loans exceeded the percentage of owner occupied housing for all loan products in both low- and moderate-income census tracts with the exception of home purchase loans in low-income tracts.

<b>Geographic Distribution of Residential Real Estate Loans in CNB's Lawton MSA 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%	1.81%	11.20%	16.30%	47.41%	50.00%	38.49%	31.88%
Home Improvement	2.90%	6.56%	11.20%	18.03%	47.41%	40.98%	38.49%	34.43%
Home Refinance	2.90%	4.23%	11.20%	18.31%	47.41%	42.25%	38.49%	35.21%

Source: Data reported under HMDA LAR 2013, 2014 and 2015; U.S. Census data.

CNB's geographic distribution of small business loans reflects a reasonable dispersion with the percentage of loans originated in low-income tracts somewhat lower than the percentage of AA businesses located in those tracts. The bank's performance in the moderate-income tracts is excellent with the percentage of bank loans exceeding the percentage of AA businesses located in those tracts.

<b>Geographic Distribution of Loans to Businesses in CNB's Lawton MSA 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
Small Business	14.93%	10.71%	20.68%	21.43%	38.77%	32.14%	25.47%	35.71%

Source: Loan sample 2013, 2014 and 2015; Dunn and Bradstreet data.

## Conclusions for Areas Receiving Limited-Scope Reviews

The bank's geographic distribution of unsecured consumer loans is reasonable for the limited-scope areas. The distribution of unsecured consumer loans to low-income tracts in the Oklahoma City MSA Partial was excellent. The distribution to low-income tracts in the Tulsa MSA Partial and Rural Non-MSA AA was very poor. Note that only 1.23 percent of the households reside in the low-income tracts in the Rural Non-MSA AA making it difficult to penetrate those tracts. The geographic distribution of unsecured loans in the moderate-income tracts is excellent in the Tulsa MSA Partial and the Rural Non-MSA AAs, and adequate in the Oklahoma City MSA Partial.

<b>Geographic Distribution of Unsecured Consumer Loans in CNB's Oklahoma City MSA Partial AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	6.45%	7.14%	29.21%	17.86%	36.04%	60.71%	28.30%	14.29%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

<b>Geographic Distribution of Unsecured Consumer Loans in CNB's Tulsa MSA Partial AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	7.94%	0.00%	26.45%	32.00%	31.09%	28.00%	34.52%	40.00%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

<b>Geographic Distribution of Unsecured Consumer Loans in CNB's Rural Non-MSA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	1.23%	0.00%	15.96%	20.83%	54.87%	45.83%	27.94%	33.33%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

### Responses to Complaints

There have been no consumer complaints regarding CNB's Community Reinvestment Act performance during the evaluation period.

## **Community Development Test**

### **CD Loans, Qualified Investments, and CD Services Test**

The bank's performance under the Community Development Test in Oklahoma is rated "Outstanding".

CNB's CD performance demonstrates outstanding responsiveness to the CD needs of its Oklahoma AAs. CD lending was excellent in the area of revitalizing/stabilization through lending to the *Lawton Downtown Revitalization Plan* project and through loans to small businesses that retain or create permanent LMI jobs.

Opportunities for qualified CD loans and investments are limited in CNB's full-scope Lawton AA. Lawton is the largest city in the Lawton MSA AA with a population of 97,000. The rest of Comanche County is primarily rural low-density areas.

The officers and employees of CNB are active in the communities they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to LMI individuals. The bank is also involved with, invests in, or lends to organizations whose focus is on community or economic development.

### **Community Development Loans**

Qualifying CD loans are those that meet the definition of community development, as defined in the CRA regulation. This includes activities that promote affordable housing, community services, and economic development, revitalization, and stabilization that benefits LMI individuals and geographies. Activities are considered to promote economic development if they support permanent job creation, retention, and/or improvement for LMI persons. Qualified CD activities that help revitalize or stabilize a community are activities that attract new businesses or persons to a community or are activities that help retain existing businesses or persons in a community. Qualified activities, may include, for example, providing financing to help retain businesses in an area that employ LMI persons; or providing financing to attract a new employer that will create permanent job opportunities for LMI persons.

### **Number and Amount of Community Development Loans**

CD lending in the full-scope Lawton MSA reflects excellent responsiveness. During the evaluation period, CNB originated or renewed twenty-three CD loans totaling \$16.8 million in the Lawton MSA AA. CNB extended 10 economic development loans totaling \$7.8 million, five revitalization/stabilization loans totaling \$6.4 million, seven community service loans totaling \$2.3 million, and one affordable housing loan for \$257,000.

Examples of CD loans are highlighted below:

- Economic development loans were centered in two loans totaling \$6.4 million to provide financing to purchase, renovate, and improve two separate retail strip centers. One of these loans was originated in December 2013 at \$4.6 million for the refinance of a

shopping center in Lawton with approximately 154,784 total rentable square feet. Proceeds were also used to make improvements and to enhance the overall appearance of the shopping center to attract new tenants. The shopping center has 20 local tenants that provide approximately 164 LMI retail jobs.

- CNB, along with five other local financial institutions, participated in a \$32 million loan to the City of Lawton in conjunction with the *Lawton Downtown Redevelopment Plan*. CNB's portion was \$4 million, of which \$1.1 million was sold to affiliate FSNB (\$2.9 million net to CNB). The purpose of the loan was to acquire and develop land for revitalization/redevelopment of a blighted area in downtown Lawton. The revitalization includes the construction of a hotel, convention center, several retail spaces for national tenants, office buildings, and general street work. This project will create a significant amount of LMI jobs in the retail and service industries. On December 4, 2014, CNB extended a \$2.4 million loan to the City of Lawton Economic Development Authority to meet critical infrastructure needs related to the *Lawton Downtown Redevelopment Plan* initiative. On July 1, 2013, CNB purchased two \$500,000 participations in a \$5.2 million facility from a local financial institution to construct a Hilton Garden Inn hotel. This hotel is part of the *Lawton Downtown Redevelopment Plan* and will create LMI jobs. In total, CNB has extended \$6.3 million to the Lawton Downtown Redevelopment project, which will have a significant impact on the Lawton community through revitalization of the downtown area, attracting new businesses, and creating LMI jobs.
- CNB extended seven loans totaling \$2.3 million that provided services to LMI individuals. A \$1 million loan was extended to the Comanche County Hospital, which is a non-profit hospital that does not deny patients based on income. Additionally, the hospital serves predominantly LMI families across rural southwest Oklahoma. An \$819,000 loan was also made to Goodwill Industries to purchase a building to further expand their operations. Goodwill serves LMI families with various services including job placement, training, and other community-based programs.

## Conclusions for Areas Receiving Limited-Scope Reviews

Overall performance in the limited-scope AAs is not inconsistent with the performance in the full-scope AA. In the Tulsa MSA Partial, CNB originated 27 CD loans for \$943,000. In the Rural Non-MSA AA, five loans for \$536,000, and in the Oklahoma City MSA Partial six loans were originated for \$383,000.

### Number and Amount of Qualified Investments

Qualifying investments are bond or equity investments, deposits, membership shares, or grants that have as their primary purpose CD, as defined in the CRA regulation.

The level of qualified CD investments in the Oklahoma full-scope AA reflects adequate responsiveness. The bank invested \$1 million to purchase a school bond issued by Comanche County ISD benefitting the schools in the district. More than 50 percent of the student

populations in the Comanche County ISD qualify for the federal free or reduced-price lunch program.

The bank also donated \$46,000 to qualified organizations in the Comanche County Oklahoma full-scope AA during the review period.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Performance in the limited-scope AAs is not inconsistent with the full-scope Lawton MSA AA performance. The limited-scope areas of Oklahoma City MSA Partial, Tulsa MSA Partial and Rural Non-MSA combined for total investments of \$823 million. Investment included qualified school bonds and municipal bonds totaling \$818,000 and donations totaling \$5,000.

### **Community Development Services**

The level of qualified CD services in the Comanche County Oklahoma full-scope AA is excellent. CNB employees provided over 270 hours of financial literacy training through qualified organizations to LMI persons in the AA, and provided qualified officer and employee services to five different organizations that primarily serve LMI persons or that promote the development of jobs for LMI workers. These employees provided technical and financial expertise to assist each organization.

Three different bank officers provide leadership and financial expertise in the role of Treasurer for Lawton Goodwill, the J. Roy Children's Shelter, and the Lawton Economic Development Corporation.

A senior executive officer serves as Secretary for the Comanche County Industrial Development Authority; and the Chairman serves as a member and advisor to the Junior League of Lawton.

The bank made available approximately 250 hours of employee time to provide financial literacy training in several different ways to members of the Comanche Nation. Eleven employees taught 10 hours of financial literacy courses to tribal members at six meetings of young adults and at the Elders Council. In each of the last three years, four bank employees provided 42 hours of financial training to Comanche tribal members during the annual Comanche Nation Fair. In addition, in response to a request of the Comanche Nation Business Committee, the CNB created on-line and in-class financial literacy training courses, as well as, invested several thousand dollars in hardware to host the dedicated site. The bank invested over 200 hours of employee time and expertise to create this program.

The banks also provided 18 hours in total of financial literacy training to members of the Lawton Area Transit Services, students of the Great Plains Technology Center, and to soldiers on Fort Sill Army Base. In addition, the bank provided two Electronic Banking professionals who conducted three hours of computer privacy security training for the Elgin Chamber of Commerce.

Operated through the Lawton Headquarters Banking Center, the bank offers an innovative lending product service known as its “*Credit Builder Program*”. During 2013 – 2015, that program assisted over 450 customers with no credit or poor credit build or improve their credit histories. The goal of the “*Credit Builder*” loan is that with the payment history and good credit habits developed through the program, the customer improves their overall credit profile and substantially increases their level of financial literacy and responsibility. From 2013-2015, the Bank extended 210 “*Credit Builder*” loans (for customers with no credit) totaling \$203,000 and 241 “*Savings Secured*” loans (for customers with poor credit) totaling \$404,000.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Performance in the limited-scope AAs is weaker than the full-scope Lawton MSA AA performance. The limited-scope areas of Oklahoma City MSA Partial, Tulsa MSA Partial and Rural Non-MSA combined had 63 hours of financial literacy training to LMI persons. In the Oklahoma City MSA, CNB has one bank employee who served in a leadership position on three CRA qualified organizations.

## State Rating

### State of Kansas

**CRA Rating for Kansas: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

CNB's overall performance in Kansas is satisfactory.

- CNB originated an adequate level of unsecured consumer loans and CD/Savings secured loans to assess performance. The marginal level of lending in the State of Kansas was heavily weighted when determining the bank's overall performance and rating.
- CNB's distribution of unsecured consumer and CD/Savings secured consumer loans reflects an excellent penetration to LMI individuals and exceeds the standard for satisfactory performance.
- The bank's distribution of loans by geography reflects an excellent dispersion and exceeds the standard for satisfactory performance.
- CD loans, investments and services reflect an adequate responsiveness in the full-scope Wichita MSA Partial MSA in light of performance context.

### Description of Institution's Operations in Kansas

In August of 2012, CNB opened three Wal-Mart branches in Wichita, Kansas. The bank's full-scope AA in the State of Kansas is the Wichita MSA Partial consisting of Sedgwick County, one of five counties in the Wichita MSA. The Wichita MSA Partial encompasses 134 census tracts. Based on 2010 data, the U.S. Census Bureau identifies 13 census tracts as low-income, 41 tracts as moderate-income, 34 tracts as middle-income, and 36 tracts as upper-income. The total population of the AA is 498,000. Additionally, there are 125,000 families and 190,000 households. The 125,000 families statistically are stratified into low-, moderate-, middle-, and upper-incomes at 21 percent, 18 percent, 21 percent, and 39 percent, respectively. The AA contains 209,000 housing units with 128,000, or 61 percent, being owner occupied. There is also a large volume of rental occupied units in the AA. Rental occupied units total 63,000 and represent 30 percent of the available housing type. Households below the poverty level are 13 percent and households that receive public assistance total 3 percent. One Wal-Mart branch is located in an upper-income tract and the other two Wal-Mart branches are located in middle-income tracts.

The following table describes major demographic and economic characteristics of the Wichita MSA Partial AA, based on 2010 U.S. Census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF WICHITA MSA PARTIAL AA</b>	
<b>Population</b>	
Number of Families	125,002
Number of Households	190,832
<b>Geographies</b>	
Number of Census Tracts	124
% Low-Income Census Tracts	10.48%
% Moderate-Income Census Tracts	33.06%
% Middle-Income Census Tracts	27.42%
% Upper-Income Census Tracts	29.04%
% Not Applicable Census Tracts	0.00%
<b>Median Family Income (MFI)</b>	
2010 MFI for AA	\$65,187
2014 HUD-Adjusted MFI	\$61,402
<b>Economic Indicators</b>	
Unemployment Rate	5.17%
2010 Median Housing Value	\$116,537
% of Households Below Poverty Level	13.13%

Wichita's economy is relatively stable with slow but steady growth forecasted. Wichita is the largest city in the State of Kansas and the 49<sup>th</sup> largest city in the U.S. Located in south-central Kansas on the Arkansas River, Wichita is the county seat of Sedgwick County and the principal City of the Wichita MSA. As an industrial hub and the largest city in the state, Wichita is an area center of culture, media, and trade. Wichita is known as "The Air Capital of the World" as the major aircraft manufacturing companies are located in Wichita and the city remains a major center of the U.S. aircraft industry. The Wichita economy is heavily dependent on the aircraft industry. Healthcare is Wichita's second largest industry employing 28,000 people.

Local banking competition includes several other independent national and state chartered banks and branches of other banks and financial institutions based in Kansas, as well as, across the nation.

## Scope of Evaluation in Kansas

Only one AA was designated for the State of Kansas, which is the Wichita MSA Partial, consisting of Sedgwick County. Sedgwick County is one of five counties in the Wichita MSA. This AA will be evaluated under full-scope procedures. The Wichita MSA Partial consists of three Wal-Mart branches opened on August 30, 2012. Lending performance was assessed by reviewing unsecured consumer loans and CD/Savings secured consumer loans originating in 2013, 2014 and 2015. One loan product was not weighted more significantly than the other when assessing performance.

## Conclusions with Respect to Performance Tests in Kansas

### Lending Test

The bank's performance under the Lending Test in Kansas is rated "Satisfactory". CNB's level of consumer lending is reasonable. The distribution of unsecured consumer and CD/Savings secured consumer loans reflects an excellent penetration to LMI individuals and geographies.

### Lending to Borrowers of Different Incomes

The overall distribution of loans reflects an excellent penetration among individuals of different income levels and exceeds the standard for satisfactory performance.

The borrower distribution of unsecured consumer loans to LMI individuals is excellent and exceeds the percentage of LMI households in the AA.

<b>Borrower Distribution of Unsecured Consumer Loans in CNB's Wichita MSA Partial AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	23.63%	40.91%	16.66%	45.45%	18.59%	9.09%	41.11%	4.55%

*Source: Loan sample 2013, 2014 and 2015; U.S. Census data.*

The borrower distribution of CD/Savings secured consumer loans to LMI individuals is excellent and exceeds the percentage of LMI households in the AA.

<b>Borrower Distribution of CD/Savings Secured Consumer Loans in CNB's Wichita MSA Partial AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	23.63%	75.86%	16.66%	24.14%	18.59%	0.00%	41.11%	0.00%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

### Geographic Distribution of Loans

The overall distribution of loans reflects an excellent dispersion among LMI tracts and exceeds the standard for satisfactory performance.

The geographic distribution of unsecured consumer loans to low-income tracts is poor. The geographic distribution of unsecured consumer loans to moderate-income tracts is excellent for an overall reasonable dispersion.

<b>Geographic Distribution of Unsecured Consumer Loans in CNB's Wichita MSA Partial AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	7.28%	00.0%	32.03%	54.55%	28.21%	13.64%	32.48%	31.82%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

The geographic distribution of CD/Savings secured consumer loans to low-income and moderate-income tracts is excellent.

<b>Geographic Distribution of CD/Savings Secured Consumer Loans in CNB's Wichita MSA Partial AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	7.28%	24.14%	32.03%	41.38%	28.21%	27.59%	32.48%	6.90%

Source: Loan sample 2013, 2014 and 2015; U.S. Census data.

## **Responses to Complaints**

There have been no consumer complaints regarding CNB's Community Reinvestment Act performance during the evaluation period.

## **Community Development Test**

The bank's performance under the Community Development Test in Kansas is rated "Satisfactory".

CNB's CD performance demonstrates adequate responsiveness. The level of CD lending was poor. CD investments and services reflected adequate responsiveness for an overall adequate level of CD performance.

### **Number and Amount of Community Development Loans**

CNB originated two CD loans totaling \$44,000 that provided LMI jobs.

### **Number and Amount of Qualified Investments**

Qualifying investments are bond or equity investments, deposits, membership shares, or grants that have as their primary purpose CD, as defined in the CRA regulation.

The level of qualified CD investments in the Kansas full-scope AA reflects adequate responsiveness. The bank invested \$157,000 to purchase a municipal bond issued by City of Park City, Kansas. This is part of a \$2.9 million General Obligation Bond Series to help fund the Echo Hills Commercial Addition infrastructure improvements. These improvements are necessary for the development of an outlet mall that will house 80-100 retailers and create up to 1,000 new jobs, most of which will be for LMI workers.

The bank also donated \$2,000 to qualified organizations in the Sedgwick County full-scope AA during the review period.

### **Extent to Which the Bank Provides Community Development Services**

In light of its performance context, with less than 1 percent of overall bank loans and deposits, the level of qualified CD services in the Wichita MSA Partial full-scope AA is adequate. CNB employees provided seven hours of financial literacy training through two qualified organization to LMI persons in the AA. This included a one-hour training session conducted for the Wichita Urban League, and six hours of training to LMI students at Wichita South High School.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	<b>Lending Test:</b> (1/1/13 to 12/31/15) <b>Community Development Test:</b> (4/23/12 to 2/22/16)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
The City National Bank and Trust Company (CNB), Lawton, OK	Unsecured Consumer Loans CD/Savings Secured Consumer Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable. Affiliate products were not reviewed.		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>Oklahoma</b> Lawton MSA OKC MSA Partial Tulsa MSA Partial Rural Non-MSA	Full-Scope Limited-Scope Limited-Scope Limited-Scope	
<b>Kansas</b>	Full-Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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<b>Overall Bank:</b>	<b>Lending Test Rating</b>	<b>Community Development Test Rating</b>	<b>Overall Bank/State/Multistate Rating</b>
City National Bank	Satisfactory	Outstanding	Satisfactory
Oklahoma	Satisfactory	Outstanding	Satisfactory
Kansas	Satisfactory	Satisfactory	Satisfactory