



## **PUBLIC DISCLOSURE**

August 03, 2015

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

The First National Bank and Trust Company of Broken Arrow  
Charter Number 7115

121 South Main Street  
Broken Arrow, OK 74012

Office of the Comptroller of the Currency

8282 South Memorial Drive  
Suite 300  
Tulsa, OK 74133

**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.

## General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The First National Bank and Trust Company of Broken Arrow (FNBBA) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 3, 2015. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** The institution is rated **Satisfactory**.

FNBBA has a satisfactory record of meeting community credit needs. This rating is based on the following:

- The loan-to-deposit (LTD) ratio is *reasonable*, and the bank *meets the standards of satisfactory performance*, based on the bank's performance context, previous formal written agreement, and lending opportunities inside its assessment area.
- A *substantial majority* of the number and dollar level of the bank's residential real estate and commercial loans originated during the review period is inside the bank's assessment area (AA), and the bank *exceeds the standards of satisfactory performance*.
- Lending patterns for residential real estate and commercial loans reflect a *reasonable penetration* of loan originations among borrowers of different income levels, and the bank *meets the standards of satisfactory performance*.
- Lending patterns for residential real estate and commercial loans reflect a *reasonable dispersion* of loans inside the bank's assessment area, and the bank *meets the standards of satisfactory performance*.

## SCOPE OF CRA EVALUATION

We evaluated FNBBA using the Small Bank standards for assessing performance, which includes a lending test to evaluate the bank's record of meeting the credit needs of the bank's assessment area. The bank's primary loan products include residential real estate loans, commercial real estate loans, and commercial loans. The lending test evaluates the bank's record of meeting the credit needs of its assessment area, and we assessed the bank's performance under this test using Home Mortgage Disclosure Act (HMDA) data, comprising 99 residential loans originated from January 2, 2012 through December 31, 2013. Our sample also comprised 19 commercial loans originated during the same period. The sample is representative of the bank's business strategy since the previous CRA Performance Evaluation.

## DESCRIPTION OF INSTITUTION

FNBBA is a \$197 million community bank located in Broken Arrow, Oklahoma, and a subsidiary of First Broken Arrow Corporation, a one-bank holding company. A CRA Performance Evaluation was last prepared as of March 8, 2010, and a "Satisfactory" rating was assigned. There are known legal, financial, or other factors that impeded the bank's ability to have a higher quarterly average LTD ratio during this review period. Please refer to the *Loan-to-Deposit Ratio* section of this document for additional information regarding these factors

During the review period, the bank met deposit and credit needs of the assessment area through the main bank and drive-in facility, located in downtown Broken Arrow, and three full-service branches, each with a drive-in facility, and all located throughout Broken Arrow. The main banking office and two branches (South Elm and Aspen Street) are located within middle-income census tracts, and the Kenosha Street branch is located within a moderate-income tract. FNB issues automated teller machine (ATM) cards and several ATMs are available throughout the community.

To help meet the banking needs of its assessment area, FNBBA offers a variety of loan and deposit services during reasonable business hours, Monday through Saturday. The bank also offers banking services by telephone and the internet. The bank's current business strategy includes providing a variety of loan and deposit services inside the bank's assessment area, consistent with safe and sound operations, and there are no immediate plans to materially change this strategy.

The table below describes the composition of the bank's loan portfolio as of March 31, 2015, which represents approximately 59 percent of total assets. Management does not anticipate any significant changes in the composition of the portfolio in the near future.

<b>Loan Category</b>	<b>\$(000's)</b>	<b>%</b>
Commercial Real Estate Loans	38,372	33
Commercial Loans	23,335	20
Residential Real Estate Loans	41,932	36
Construction Loans	10,761	9
Farm Production Loans	37	<1
Farm Real Estate Loans	87	1
Consumer Loans	1,437	1
Other Loans	28	< 1
<b>Total</b>	<b>115,989</b>	<b>100</b>

*Source: March 31, 2015 Consolidated Reports of Condition and Income (Call Report)*

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes 132 census tracts, comprising 4 low-income census tracts, 34 moderate-income tracts, 40 middle-income tracts, and 54 upper-income tracts, all within eastern Tulsa and western Wagoner counties. Bank management delineated the area in accordance with the requirements of the regulation, and it does not arbitrarily exclude low-or-moderate income geographies. The level of banking competition in the assessment area is significant, and includes nearly 50 banks and branches of non-local banks. The local economy is diversified, and the most significant employers include public education, city government, manufacturing, and healthcare. The following table provides key demographic and economic characteristics of the assessment area.

<b>Demographic Information of Assessment Area</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	132	3	26	30	41
Population by Geography	446,080	3	25	30	42
Owner-Occupied Housing by Geography	197,941	3	26	31	40
Businesses by Geography	51,721	3	24	27	46
Farms by Geography	981	2	16	36	46
Family Distribution by Income Level	112,022	17	17	20	46
Household Distribution by Income Level	180,051	21	16	18	45
Weighted average of Median Family Income (MFI)	\$69,896	Median Housing Value 2012			\$147,427
Weighted average of HUD updated MFI: 2012	\$60,400	Households Below the Poverty Level			12%

*Source: 2012 Geo-demographic Data; 2010 United States Census Data*

## Community Contact

During the evaluation process, we contacted a local community leader within the assessment area to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact specifically referenced FNBBA as a leader in the local communities by helping schools, civic organizations, and local businesses, as well as being an active partner with Broken Arrow Neighbors to offer a wide range of community resources. The contact indicated a need within the assessment area for more affordable housing, increased public transportation options, and better employment opportunities marketed through job fairs. The contact stated they are not aware of any discriminatory practices by local financial institutions.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank has a *reasonable* LTD ratio relative to their performance context, previous formal written agreement, and lending opportunities inside the assessment area. Since the previous CRA Performance Evaluation, the bank's quarterly average LTD ratio averaged 57 percent, compared to other banks in the assessment area that averaged 84 percent during the same period. FNBBA was subject to a Formal Agreement (Agreement) dated February 11, 2010. The bank achieved full compliance with the terms of the Agreement, and the Agreement was terminated as of May 21, 2014. Additionally, based on call report data, the bank's total loan portfolio declined by \$12 million during a majority of this review period, which hindered the bank's ability to maintain a comparable LTD ratio.

The following table describes the quarterly average LTD ratio for FNBBA, and the twelve primary competing banks within the same geographical area of FNBBA.

Institution	Assets as of 3/31/15 (000s)	Average Quarterly LTD Ratio as of 3/31/15
The First National Bank and Trust Company of Broken Arrow	\$197,349	56.98%
Avb Bank	\$282,303	72.53%
Security Bank	\$477,671	90.33%
Peoples Bank	\$97,848	86.20%
Mabrey Bank	\$779,507	78.93%
First Oklahoma Bank	\$360,646	86.37%
First Bank of Owasso	\$265,134	84.95%
American Bank and Trust Company	\$213,745	48.65%
Grand Bank	\$248,635	95.59%
Valley National Bank	\$413,689	81.07%
Triad Bank National Association	\$173,640	87.72%
Patriot Bank	\$189,003	104.52%
American Bank of Oklahoma	\$229,034	98.12%

Source: CRA National Loan-to-Deposit Analysis; Call Report

**Lending in Assessment Area**

Our loan sample disclosed that a *substantial majority* of the number and dollar level FNBBB’s residential real estate loans and commercial loans are inside the bank’s assessment area. The following table presents a more specific identification of loan types inside and outside of the bank’s assessment area.

<b>Table 1 - Lending inside the FNBBB Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	39	80	10	20	49	6,679	77	1,936	22	8,615
Home Improvement	5	83	1	17	6	347	51	337	49	684
Home Refinance	38	86	6	14	44	6,498	88	895	12	7,393
Commercial	14	74	5	26	19	7,206	66	3,743	34	10,949
Totals	96	81	22	19	118	20,730	75	6,911	25	27,641

Source: HMDA; Loan Sample

**Lending to Borrowers of Different Incomes**

Lending patterns during the review period indicate a *reasonable penetration* of loan originations among borrowers of different income levels. However, the overall level of lending declined substantially since the previous CRA Performance Evaluation due to the factors described earlier, and significant competition inside the bank’s assessment area. Additionally, the low percentage of residential real estate loans to low and moderate-income borrowers, is attributed to the general inability of the bank’s applicants in those income categories to meet the bank’s revised credit standards since termination of the Agreement, and consistent with safe and sound lending.

The following tables present a more specific identification of loan distribution patterns among borrowers inside the banks assessment area.

<b>Table 2 - Borrower Distribution of Residential RE Loans inside the FNBBB Assessment Area</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	17	3	17	10	20	8	46	62
Improvement	17	0	17	0	20	0	46	20
Refinance	17	5	17	5	20	26	46	50

Source: HMDA; United States Census Data

<b>Table 2A - Borrower Distribution of Loans to Businesses by Business Revenues inside the FNBBA Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	61	5	34	100%
% of Bank Loans in AA by #	86	14	0	100%
% of Bank Loans in AA by \$	90	10	0	100%

Source: Loan Sample

<b>Table 2C - Borrower Distribution of loans to Businesses by Loan Size inside the FNBBA Assessment Area</b>				
Loan Size (\$000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	2	14	100,637	1
\$100,001 - \$250,000	4	29	728,839	10
\$250,001 - \$500,000	4	29	1,339,632	19
\$500,001 - \$1,000,000	1	7	1,000,000	14
Over \$1,000,000	3	21	4,036,775	56
Total	14	100	7,205,883	100

Source: Loan sample

### Geographic Distribution of Loans

Lending patterns for residential real estate and commercial loans reflect a *reasonable dispersion* of loans inside the bank’s assessment area. There are four low-income census tracts inside the assessment area, and thirty-four moderate-income tracts. The following tables reflect the geographic distribution of residential real estate loans and commercial loans, relative to the income level of the census tracts inside the assessment area.

<b>Table 3A - Geographic Distribution of Residential RE Loans inside the FNBBA Assessment Area</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	1	0	18	23	30	31	51	46
Home Improvement	1	0	18	40	30	40	51	20
Refinance	1	0	18	10	30	40	51	50

Source: HMDA; United States Census Data

<b>Table 3A - Geographic Distribution of Loans to Businesses inside the FNBBB Assessment Area</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
Businesses	3	0	24	21	27	64	46	14

**Responses to Complaints**

There have been no consumer complaints regarding FNBBB’s performance under the Community Reinvestment Act (CRA) during the evaluation period. The bank’s CRA Public File contains all of the required information.

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

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank’s (bank) or Federal Savings Association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.