



PUBLIC DISCLOSURE

August 31, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Stigler
Charter Number 7217

300 East Main
Stigler, OK 74462

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 of Stigler (FNB) prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 31, 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**.

FNB 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 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 real estate 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.
- There are no low- or moderate-income geographies inside the AA; therefore, an analysis of geographic distribution was not completed.

SCOPE OF CRA EVALUATION

We evaluated FNB 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 a loan sample of 20 residential real estate loans, 20 commercial real estate loans, and 20 commercial loans.

The sample is representative of the bank's general business strategy since the previous CRA Performance Evaluation. FNB is not subject to the data reporting requirements of the Home Mortgage Disclosure Act.

DESCRIPTION OF INSTITUTION

FNB is a \$107 million rural community bank located in Stigler, Oklahoma, and a subsidiary of Stigler Bancorporation, Inc., a one-bank holding company. A CRA Performance Evaluation was last prepared as of April 16, 2010, and a "Satisfactory" rating was assigned. There are no legal, financial, or other factors impeding the bank's ability to meet the credit needs of the AA.

During the review period, the bank met deposit and credit needs of the AA through the main bank and drive-in facility, located at 300 East Main Stigler, OK 74462. FNB does not operate any branches. FNB issues automated teller machine (ATM) cards and several ATMs are available throughout the community including the drive-in facility.

To help meet the banking needs of its assessment area, FNB 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 following table describes the composition of the bank's loan portfolio as of June 30, 2015, which represents approximately 35 percent of total assets. Management does not anticipate any significant changes in the composition of the portfolio in the near future.

Loan Category	\$(000's)	%
Commercial Real Estate Loans	7,930	21
Commercial Loans	7,705	21
Residential Real Estate Loans	5,739	15
Construction Loans	3,166	8
Farm Production Loans	4,982	13
Farm Real Estate Loans	5,048	14
Consumer Loans	2,444	7
Other Loans	505	1
Total	37,519	100

Source: June 30, 2015 Consolidated Reports of Condition and Income (Call Report)

DESCRIPTION OF ASSESSMENT AREA

The bank's delineated AA is Haskell County, Oklahoma, which includes four census tracts (CT) comprising three middle-income CT and one upper-income CT. The AA meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income geographies. The level of banking competition in the AA is moderate, and includes two branches of non-local banks. Based on the June 30, 2014 Federal Deposit Insurance Corporation (FDIC) Market Share report, the bank's presence in the Haskell County AA is significant, as they have 64 percent of the deposit market share.

Haskell County is in close proximity to Interstate 40, and is accessed by the Oklahoma Turnpike system and several other major state highways. Stigler and Haskell County access domestic and international flights through Ft. Smith Regional (45 miles) and Tulsa International (90 miles) airports. Haskell County is connected to all parts of the world through the McClellan Kerr-Arkansas Navigation System, with four inland water ports serving the area, including the Port of Keota (9 miles), Port of Muskogee (40 miles), Port of Ft. Smith (57miles), and the Tulsa Port of Catoosa (90 miles). The local economy is generally diverse. Significant employment sectors inside the AA include healthcare & social services (38%), educational (12%), retail (11%), oil & gas (10%), and public administration (5%). Manufacturers in the area include Rosewood Industries, a maker of hotel and motel room furniture for a worldwide hospitality market.

The following table provides key demographic and economic characteristics of the assessment area.

<i>Demographic Information of Assessment Area</i>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	4	0	0	75	25
Population by Geography	12,769	0	0	79	21
Owner-Occupied Housing by Geography	5,975	0	0	76	24
Businesses by Geography	774	0	0	77	23
Farms by Geography	95	0	0	73	22
Family Distribution by Income Level	3,100	19	16	25	40
Household Distribution by Income Level	4,640	26	17	17	40
Weighted average of Median Family Income (MFI)	\$50,695	Median Housing Value 2014			\$73,820
Weighted average of HUD updated MFI: 2012	\$51,200	Households Below the Poverty Level			15%

Source: 2014 Geo-demographic Data; 2010 United States Census data

Community Contact

During the evaluation process, we contacted a local community leader inside the AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. The contact indicated a need within the AA for more affordable housing, better employment opportunities, more small business loan programs, and employment retraining. The contact stated they are not aware of any discriminatory practices by local financial institutions. Additionally, the contact stated FNB is active in the community, and participated in a project to restore the Stigler Haskell County Library, which went from a dilapidated building to recognition as one of the top 10 libraries in Oklahoma.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank has a *reasonable* LTD ratio relative to their performance context and rural location where loan demand is low. Since the previous CRA Performance Evaluation, the bank’s quarterly average LTD ratio averaged 42 percent, compared to other banks inside the AA that averaged 57 percent during the same period. As noted earlier, the bank’s presence in the Haskell County AA is significant, as they have 64 percent of the deposit market share, and nearly twice the dollar amount of total deposits in the AA as the two competing banks combined. Contributing to this high level of deposits, FNB retains a significant level of public deposits as a community service, particularly since they are the only bank headquartered in Haskell County. Without the public deposits, FNB’s LTD ratio would be more in line with their competing banks.

The following table describes the quarterly average LTD ratio for FNB, and the two primary competing banks within the same geographical area as FNB, as of March 31, 2015.

Institution	Total Assets (\$000s)	Quarterly Average LTD Ratio
The First National Bank of Stigler	\$107,134	42%
The Farmers State Bank	\$92,935	57%
The Central National Bank of Poteau	\$236,615	57%

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 FNB’s residential real estate loans and commercial real estate loans are inside the bank’s AA. The following table presents a more specific identification of loan types inside and outside of the bank’s AA.

Table 1 - Lending inside the Haskell County AA										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	18	90	2	10	20	2,771	90	306	10	3,077
Commercial	14	70	6	30	20	1,322	84	249	16	1,571
Commercial RE	15	75	5	25	20	2,368	62	1,465	38	3,833
Totals	47	78	13	22	60	6,461	76	2,020	24	8,481

Source: 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. The following tables present a more specific identification of loan distribution patterns among borrowers inside the banks AA.

Table 2 - Borrower Distribution of Residential RE Loans inside the Haskell County 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 RE	19	17	16	39	25	11	40	33

Source: Loan Sample; United States Census data

Table 2A - Borrower Distribution of Loans to Businesses by Business Revenues inside the Haskell County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66	4	30	100%
% of Bank Loans in AA by #	90	10	0	100%
% of Bank Loans in AA by \$	66	34	0	100%

Source: Loan Sample

Table 2C - Borrower Distribution of loans to Businesses by Loan Size inside the Haskell County AA				
Loan Size (\$000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	20	69	645,079	17
\$100,001 - \$250,000	4	14	727,100	20
\$250,001 - \$500,000	3	10	1,088,933	30
\$500,001 - \$1,000,000	2	7	1,229,660	33
Over \$1,000,000	0	0	0	0
Total	29	100	3,690,772	100

Source: Loan sample

Geographic Distribution of Loans

There are no low- or moderate-income geographies inside the AA; therefore, an analysis of geographic distribution was not completed. Thirty-five percent of the AA is composed of low- and moderate-income families; therefore, we focused the evaluation on the bank's lending patterns to borrowers of different income levels, and businesses of different sizes. Please refer to the **Lending to Borrowers of Different Incomes** section of this PE for additional information.

Responses to Complaints

There have been no consumer complaints regarding FNB'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.